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**HOWARD**  

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**UNIVERSITY**

**The Howard University**

**Consolidated Financial Statements and Reports and Schedules Required by  
*Government Auditing Standards* and the Uniform Guidance**

**For the year ended June 30, 2017**

**EIN 53-0204707**

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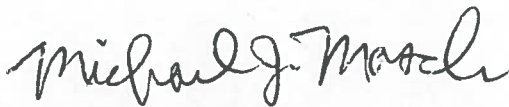
**Office of the Senior Vice President  
Chief Financial Officer and Treasurer**

**Report of Treasurer on Financial Statements**

The administration of The Howard University is responsible for the preparation, accuracy, integrity and objectivity of the financial statements contained herein. Such financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include certain amounts that represent our best estimates and judgments. Actual amounts could differ from those estimates.

These financial statements have been prepared under my supervision. Based on my knowledge, these financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of The Howard University for the periods presented herein.

Furthermore, I hereby certify that The Howard University, as Borrower under separate agreements with certain banks and lending institutions, is in compliance with the respective financial covenants as of June 30, 2017, as described in Note 11 of the accompanying financial statements.



Michael J. Masch  
Senior Vice President, Chief Financial Officer  
and Treasurer



John D. Gordon, Jr. MS, CPA, CGMA  
Controller and Chief Accounting Officer

November 21, 2017



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## Independent Auditor's Report

Board of Trustees  
The Howard University  
Washington, DC

We have audited the accompanying consolidated financial statements of The Howard University, which comprise the consolidated statements of financial position as of June 30, 2017, 2016, and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Howard University as of June 30, 2017, 2016, and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CRF") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

### *Report on Summarized Comparative Information*

We have previously audited The Howard University's 2016 and 2015 consolidated financial statements, and we expressed unmodified opinions on those consolidated financial statements in our reports dated November 23, 2016 and December 10, 2015, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2016 and 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*BDO USA, LLP*

November 21, 2017, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 30, 2018.

<b>Statements of Financial Position</b> <b>As of June 30, 2017, 2016 and 2015</b> <i>(in thousands)</i>			
	2017	2016	2015
<b>Current assets:</b>			
Cash and cash equivalents	\$ 28,900	\$ 45,294	\$ 22,522
Operating investments	39,851	34,433	36,333
Deposits with trustees	401	348	137
Receivables, net	89,730	147,678	65,278
Inventories, prepaids and other current assets	8,579	11,904	10,701
Restricted Investments	43,911	37,820	45,911
<b>Total current assets</b>	<b>211,372</b>	<b>277,477</b>	<b>180,882</b>
<b>Long term assets:</b>			
Deposits with trustees	15,058	14,303	14,120
Receivables, net	21,659	76,657	53,729
Inventories, prepaids and other noncurrent assets	22,695	22,717	11,835
Unexpended bond proceeds	3,038	5,027	10,440
Restricted investments	3,302	3,152	2,190
Endowment investments	646,556	577,132	590,659
Operating right of use assets	4,599	3,958	4,886
Finance right of use assets	25,930	30,401	36,012
Long-lived assets	517,955	554,690	593,336
<b>Total long term assets</b>	<b>1,260,792</b>	<b>1,288,037</b>	<b>1,317,207</b>
<b>Total assets</b>	<b>\$ 1,472,164</b>	<b>\$ 1,565,514</b>	<b>\$ 1,498,089</b>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 99,542	\$ 97,982	\$ 141,850
Deferred revenue	15,097	107,391	14,081
Other liabilities	12,119	10,022	12,809
Accrued post retirement benefits	4,325	4,505	4,293
Reserves for self-insured liabilities	16,752	6,918	11,543
Notes payable	-	-	98,971
Finance lease obligations	3,520	6,570	8,754
Bonds payable	12,101	1,602	1,838
<b>Total current liabilities</b>	<b>163,456</b>	<b>234,990</b>	<b>294,139</b>
<b>Long term liabilities:</b>			
Deferred revenue	762	1,175	-
Other liabilities	5,318	15,267	18,216
Accrued post retirement benefits	50,670	63,103	59,145
Underfunded defined benefit pension plan	139,046	166,678	130,128
Reserves for self-insured liabilities	57,462	80,293	83,005
Operating lease obligations	4,099	14,491	16,237
Finance lease obligations	25,595	18,475	24,734
Bonds payable	398,865	444,537	286,453
Refundable advances under Federal Student Loan Program	6,341	6,390	6,827
<b>Total long term liabilities</b>	<b>688,158</b>	<b>810,409</b>	<b>624,745</b>
<b>Total liabilities</b>	<b>851,614</b>	<b>1,045,399</b>	<b>918,884</b>
<b>Net Assets:</b>			
Unrestricted	222,165	155,513	200,180
Temporarily restricted	265,935	236,353	250,919
Permanently restricted	132,450	128,249	128,106
<b>Total net assets</b>	<b>620,550</b>	<b>520,115</b>	<b>579,205</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,472,164</b>	<b>\$ 1,565,514</b>	<b>\$ 1,498,089</b>

The accompanying notes are an integral part of these consolidated financial statements.

Statements of Activities For Fiscal Years Ended June 30, 2017 (with summarized comparative information for fiscal years ended June 30, 2016 and 2015) (in thousands)					Summarized June 30, 2016	Summarized June 30, 2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2017		
<b>Operating</b>						
<b>Revenues and reclassifications:</b>						
Academic services:						
Tuition and fees, net	\$ 147,867	\$ -	\$ -	\$ 147,867	\$ 155,453	\$ 154,068
Grants and contracts	53,763	-	-	53,763	56,379	64,450
Auxiliary services	40,960	-	-	40,960	52,481	53,998
Clinical services:						
Patient service - Hospital, net	231,499	-	-	231,499	228,075	230,915
Patient service - Faculty medical practice, net	12,854	-	-	12,854	27,012	25,401
Patient service - Dental clinic, net	1,972	-	-	1,972	1,594	2,450
Public support:						
Federal appropriation	218,416	3,405	-	221,821	221,821	212,035
Contributions	5,265	7,578	2,896	15,739	10,555	12,442
Endowment transfer	6,954	7,665	509	15,128	14,274	13,718
Operating investment income (loss)	5,270	-	-	5,270	(1,015)	966
Other income	16,290	-	-	16,290	16,447	16,505
<b>Total revenues</b>	<b>741,110</b>	<b>18,648</b>	<b>3,405</b>	<b>763,163</b>	<b>783,076</b>	<b>786,948</b>
Net assets released from restrictions	19,465	(19,465)	-	-	-	-
<b>Total revenues and reclassifications</b>	<b>760,575</b>	<b>(817)</b>	<b>3,405</b>	<b>763,163</b>	<b>783,076</b>	<b>786,948</b>
<b>Expenses:</b>						
Program services:						
Instruction	200,737	-	-	200,737	193,405	207,796
Research	40,555	-	-	40,555	40,136	42,375
Public service	11,079	-	-	11,079	11,221	12,500
Academic support	36,441	-	-	36,441	38,700	41,768
Student services	30,037	-	-	30,037	30,605	29,862
Patient care	241,131	-	-	241,131	245,368	276,988
<b>Total program services</b>	<b>559,980</b>	<b>-</b>	<b>-</b>	<b>559,980</b>	<b>559,435</b>	<b>611,289</b>
Supporting services:						
Institutional support	169,187	-	-	169,187	144,968	163,103
Auxiliary enterprises	65,635	-	-	65,635	67,053	67,756
<b>Total supporting services</b>	<b>234,822</b>	<b>-</b>	<b>-</b>	<b>234,822</b>	<b>212,021</b>	<b>230,859</b>
<b>Total operating expenses</b>	<b>794,802</b>	<b>-</b>	<b>-</b>	<b>794,802</b>	<b>771,456</b>	<b>842,148</b>
Income from defeased bonds	33,105	-	-	33,105	-	-
<b>Operating revenues over (under) operating expenses</b>	<b>(1,122)</b>	<b>(817)</b>	<b>3,405</b>	<b>1,467</b>	<b>11,620</b>	<b>(55,200)</b>
<b>Non-operating</b>						
Investment income (loss) in excess of amount designated for operations	41,152	39,108	445	80,705	(15,171)	5,134
Endowment transfer	(6,257)	(8,709)	(162)	(15,128)	(14,274)	(13,718)
Net unrealized gain in beneficial interest trust	-	-	513	513	-	-
Restructuring costs	118	-	-	118	(44)	(10,502)
Change in funded status of defined benefit pension plan	32,753	-	-	32,753	(40,712)	(31,973)
Change in obligation for post-retirement benefit plan	(100)	-	-	(100)	(19,244)	(5,530)
Change in funded status of supplemental retirement plan	107	-	-	107	142	-
Gain on property/land sale	-	-	-	-	18,581	-
Other items, net	-	-	-	-	12	46
<b>Increase (decrease) in non-operating activities</b>	<b>67,773</b>	<b>30,399</b>	<b>796</b>	<b>98,968</b>	<b>(70,710)</b>	<b>(56,543)</b>
<b>Change in net assets</b>	<b>66,652</b>	<b>29,582</b>	<b>4,201</b>	<b>100,435</b>	<b>(59,090)</b>	<b>(111,743)</b>
<b>Net assets, beginning of year</b>	<b>155,513</b>	<b>236,353</b>	<b>128,249</b>	<b>520,115</b>	<b>579,205</b>	<b>690,948</b>
<b>Net assets, end of year</b>	<b>\$ 222,165</b>	<b>\$ 265,935</b>	<b>\$ 132,450</b>	<b>\$ 620,550</b>	<b>\$ 520,115</b>	<b>\$ 579,205</b>

The accompanying notes are an integral part of these consolidated financial statements.

<b>Consolidated Statements of Cash Flows</b> <b>For Fiscal Years Ended June 30, 2017, 2016 and 2015</b> <i>(in thousands)</i>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Cash flows from operating activities</b>			
Change in net assets	\$ 100,435	\$ (59,090)	\$ (111,743)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by/(used in) operating activities:			
Depreciation and amortization	50,154	44,883	51,596
Bonds defeased	(33,105)	-	-
Bond discount amortization	223	221	235
Bonds issuance costs	254	(374)	215
Net realized gain on sale of investment	(47,384)	(15,955)	(29,417)
Unrealized (gain) loss on investments	(38,591)	36,720	32,910
Loss (gain) on sale/disposal of long-lived assets	1,210	(18,581)	133
Change and/or remeasurement of leases	2,714	-	-
Change in deposits with trustees	(808)	(394)	(404)
Change in receivables (excluding notes)	105,464	(98,208)	4,254
Change in allowance for doubtful receivables	6,743	(6,885)	6,136
Change in inventory, prepaid expenses and other assets	3,347	(12,085)	1,891
Change in Operating right of use assets	(641)	-	-
Change in accounts payable and accrued expenses and other	1,559	(43,837)	20,395
Change in deferred revenue	(92,707)	94,485	4,081
Change in other liabilities	(7,852)	(2,141)	(650)
(Decrease) increase in pension/post retirement liability	(40,245)	40,720	15,635
Change in reserve for self-insured liabilities	(12,997)	(7,338)	7,918
Change in refundable advances under Federal Student Loan Program	(49)	(437)	458
<b>Net cash and cash equivalents provided by/(used in) operating activities</b>	<b>(2,276)</b>	<b>(48,296)</b>	<b>3,643</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	481,023	397,929	343,516
Purchases of investments	(476,131)	(396,138)	(346,287)
Return on unexpended bond proceeds	1,989	5,413	35,885
Proceeds from property/land sale	-	23,035	-
Purchases and renovations of long-lived assets	(12,248)	(8,946)	(45,870)
Restricted contributions	(2,881)	(6,832)	(1,548)
<b>Net cash and cash equivalents (used in)/provided by investing activities</b>	<b>(8,248)</b>	<b>14,461</b>	<b>(14,304)</b>
<b>Cash flows from financing activities</b>			
Proceeds from notes payable	15,000	88,000	30,000
Payment on notes payable	(15,000)	(186,971)	(1,476)
Proceeds from bonds payable	-	160,000	-
Payment on bonds payable	(2,545)	(1,998)	(576)
Principal payments on financing lease obligations	(6,945)	(9,170)	(10,637)
Student loans issued	(825)	(726)	(1,218)
Student loans collected	1,564	640	722
Proceeds from restricted contributions	2,881	6,832	1,548
<b>Net cash and cash equivalents (used in)/provided by financing activities</b>	<b>(5,870)</b>	<b>56,607</b>	<b>18,363</b>
Net (decrease) increase in cash and cash equivalents	(16,394)	22,772	7,702
Cash and cash equivalents at beginning of year	45,294	22,522	14,820
<b>Cash and cash equivalents at end of period</b>	<b>\$ 28,900</b>	<b>\$ 45,294</b>	<b>\$ 22,522</b>
<b>Supplemental cash flow information:</b>			
Cash paid for interest	\$ 21,650	\$ 25,525	\$ 24,513
<b>Supplemental non-cash investing activities:</b>			
Acquisition of equipment under financing leases	6,784	1,655	-
Stock distributions	1,560	344	-
<b>Supplemental non-cash financing activities:</b>			
Donated securities	-	-	215

The accompanying notes are an integral part of these consolidated financial statements.



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<b>Note 1</b>	<b>Summary of Significant Accounting Policies</b>
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(a) ***Description of the University***

The Howard University (Howard) is a private, nonprofit institution of higher education (the University) which also operates Howard University Hospital (the Hospital) located in Washington, DC. The University provides academic services in the form of education and training, primarily for students at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. Howard also provides patient healthcare services at the Hospital and by certain members of the University's faculty as part of its academic clinical activities.

The consolidated financial statements also include the activities of Howard University International (HUI), Howard University Global Initiative – Nigeria, LTD/GTE. (HUGIN), Howard University Technical Assistance Program in Malawi Limited (HUTAP), and Howard University Global Initiative South Africa NPC (HUGISA), wholly-owned subsidiaries of the University. The activities and balances of these entities are reflected in the statements of activities and statements of position, and any intercompany balances have been eliminated in consolidation.

The University conveyed its fee simple interest in the properties known as the East Tower, the West Tower, Drew Hall and Cook Hall to Howard Dormitory Holdings 1, LLC by Special Warranty Deed recorded in January, 2017. The Howard SPE is wholly-owned by the University.

The Hospital has a 49% joint venture interest in the Howard University Dialysis Center LLC (LLC). Howard accounts for its interest in the LLC using the equity method which requires Howard to record a proportional share of the LLC's net income or loss as increases and decreases to the initial investment are received.

Howard is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. Any unrelated business income tax generated by Howard is recorded as income tax using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. As of June 30, 2017, 2016 and 2015, Howard had no unrelated business income and therefore had no deferred tax assets or liabilities.

In addition, Howard analyzed its tax positions for the years ended June 30, 2017, 2016 and 2015, and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements.

(b) ***Basis of Presentation***

The consolidated financial statements of Howard have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Howard has elected to show summarized comparative financial information with respect to the statement of activities for the years ended June 30, 2016 and 2015. Such summarized information is prepared in a manner consistent with the statement of activities information from which it was derived.

(c) ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, accumulated depreciation related to property, plant and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and environmental liabilities.

(d) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of nine months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with trustees or Investments, respectively. Cash equivalents include certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value. Howard classifies any cash or money market accounts held by external managers as investments, as these amounts are not readily available for operations and are part of the long-term investment portfolio.

(e) **Investments**

Investments are segregated between operating, restricted and endowment investments and deposits with trustees on the consolidated statements of financial position, all of which are stated at fair value and defined as follows:

**Operating Investments** – represent investments free of any donor or lender imposed restrictions. These investments are short-term in nature and can be liquidated at the discretion of the Board of Trustees (the “Board”) to meet operational demands.

**Restricted Investments** – represent non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments is not subject to the discretion of the Board and as such they are not available to meet the operational needs of the University.

**Endowment Investments** – represent the pooled endowment and the Federal matching endowment investments. The endowment investments are spread across various asset categories with the use of the income from these investments restricted based on stated donor stipulations.

The fair values of Howard’s investments are determined by the most relevant available and observable valuation inputs as defined in Note 5. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent or lack thereof. Such amounts may be expended for operations, for specified donor purposes if temporarily restricted, or held in perpetuity at the donor’s request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and operating investment returns. This balance is calculated using operating investments as a percentage of total Level 1 investments in common stock and mutual funds.

(f) **Receivables and Revenue Recognition**

- (1) **Contributions**, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the gift date. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contribution revenue for fiscal years ended June 30, 2017, 2016 and 2015 are shown below:

Contributions Revenue	2017	2016	2015
Unrestricted	\$ 5,265	\$ 4,156	\$ 4,970
Temporarily restricted	7,578	(433)	5,924
Permanently restricted	2,896	6,832	1,548
<b>Total contributions revenue</b>	<b>\$ 15,739</b>	<b>\$ 10,555</b>	<b>\$ 12,442</b>

Contributions to give with payments to be received after one year from the date of the consolidated financial statements are discounted. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

**Tuition and fees** from student services are recognized ratably over the academic time period to which they apply. A portion of tuition and fees charged in the current fiscal year for the summer term are recognized in the following fiscal year due to summer sessions between May and July crossing fiscal years. To incentivize students to earn their degree early or on-time, the University has established a tuition rebate, whereby on-time or early graduates are eligible to receive a 50 percent discount on their tuition for their final semester. The rebate is applicable to direct payments made to the University by the student or family toward the final semester's tuition.

**Student receivables** represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. Howard maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships (merit, talent, and need based), fellowships, graduate remission and employee tuition remission. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for fiscal years ended June 30, 2017, 2016 and 2015 was \$99,275, \$101,434 and \$110,239, respectively.

Net Tuition Revenue	2017	2016	2015
Gross tuition and fees	\$ 247,142	\$ 256,887	\$ 264,307
Financial aid:			
Merit	57,775	64,115	64,925
Need	15,083	15,142	18,967
Talent	8,174	6,304	6,861
Other	18,243	15,873	19,486
Total financial aid	\$ 99,275	\$ 101,434	\$ 110,239
Total net tuition	\$ 147,867	\$ 155,453	\$ 154,068

- (2) **Other income** represents income from activities other than core business operations and is recognized as revenue in the period it is earned and collectible.
- (3) **Federal appropriation** revenue is recognized when received and expended. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment which is required to be held for 20 years. For fiscal years ended June 30, 2017, 2016 and 2015, Howard received 29%, 28% and 27%, respectively, of its revenue support from the Federal appropriation. The \$3,405, \$4,302 and \$3,405, receivable for the fiscal years ended June 30, 2017, 2016, and 2015, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 13.
- (4) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

<b>Net Patient Service Revenue</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Gross Revenues</b>	<b>\$ 682,710</b>	<b>\$ 645,624</b>	<b>\$ 659,509</b>
Third-party settlement revenue	63,702	46,637	58,716
Contractual allowances and adjustments	(444,653)	(411,404)	(417,326)
Charity services	(4,200)	(5,356)	(5,194)
Bad debt	(51,234)	(18,820)	(36,939)
<b>Total net patient service revenue</b>	<b>\$ 246,325</b>	<b>\$ 256,681</b>	<b>\$ 258,766</b>
<b>% of contractals and charity services of gross revenues</b>	<b>66%</b>	<b>65%</b>	<b>64%</b>

- (5) **Grants and contracts** revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). These revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent the amounts due from Federal, state, local, private grants, contracts and others.

<b>Grants and contracts revenue</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Reimbursement of direct expenses	\$ 45,439	\$ 48,324	\$ 55,608
Recovery of indirect costs	8,324	8,055	8,842
<b>Total grants and contracts revenue</b>	<b>\$ 53,763</b>	<b>\$ 56,379</b>	<b>\$ 64,450</b>
<b>Indirect costs recovery as a % of direct costs</b>	<b>18%</b>	<b>17%</b>	<b>16%</b>

Grants and contracts revenue by type is detailed in the table below.

<b>Grants and contracts revenue by type</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Research	\$ 35,688	\$ 34,178	\$ 34,590
Training	9,490	12,188	16,427
Service/other	8,585	10,013	13,433
<b>Total grants and contracts revenue by type</b>	<b>\$ 53,763</b>	<b>\$ 56,379</b>	<b>\$ 64,450</b>

- (6) **Auxiliary services** revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR, bookstore vendors and property rents.

Auxiliary services revenue	2017	2016	2015
Student housing	\$ 12,925	\$ 23,622	\$ 24,913
Meal plans	12,841	14,141	13,145
Radio station	8,461	9,900	11,507
Bookstore	672	706	665
Property rentals	2,059	1,503	1,508
Parking fees	1,875	923	657
Vending sales and fees	888	544	752
Ticket sales	537	432	303
Licensing	109	72	79
Other	593	638	469
<b>Total auxiliary services revenue</b>	<b>\$ 40,960</b>	<b>\$ 52,481</b>	<b>\$ 53,998</b>

- (7) **Notes receivable** represent loans the University extended to students from institutional resources and Federal Student Loan programs with outstanding balances, which includes Federal Perkins Loans. Management regularly assesses the adequacy of the allowance for credit losses on student loans by performing ongoing evaluations of the student loan portfolio, including the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans.

Howard's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under this Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

(g) ***Changes in Accounting Principle***

*ASU 2015-03 – Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* requires that debt issuance costs related to a recognized debt liability be presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability. The ASU was effective for fiscal years beginning after December 15, 2015. This is a change from previous treatment where debt issuance costs were reported as an asset in the statement of financial position. For fiscal years ending 2017, 2016 and 2015, Howard has debt issuance costs related to the 2010, 2011 and 2016 bonds of \$4,683, \$4,937 and \$4,563, respectively. In fiscal year 2017, Howard adopted the new principle and has in accordance, reclassified the debt issuance costs from other assets and deducted it from the bonds payable liability.

In fiscal year 2016 Howard completed an early adoption of *ASU 2016-02 - Leases*, which is a change in accounting principle. See Note 10 for a description of the impact of this change on the financial statements.

(h) ***Inventories, Prepaids and Other Assets***

Inventories consist primarily of medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis. Prepaids consist primarily of insurance, dues, subscriptions and other fees and are amortized over the useful period. Other assets consist primarily of deferred health charges, intellectual property, beneficial interest trust and investment interest in a dialysis joint venture (see Note 22).

(i) ***Long-Lived Assets***

Long-lived assets include right to use assets – operating and financing as well as property, plant and equipment balances for Howard. Property, plant and equipment are stated at cost or at fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives for fiscal years reported are as follow:

Land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property, plant and equipment is capitalizable when the unit cost is equal to or exceeds \$3 and has a useful life of more than one year.

Title to certain equipment purchased using funds provided by government grants or contracting agencies is vested with Howard, and therefore is included in reported property balances.

Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are intended for use.

The recorded values of certain properties include the fair value of any environmental remediation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. This primarily pertains to the cost of removal and disposal of asbestos.



(j) ***Compensated Absences***

Howard records an amount due to employees for future absences, which are attributable to services performed in the current and prior periods and subject to a maximum carryover. This obligation is recognized on the consolidated statements of financial position as part of accounts payable and accrued expenses. At fiscal years ended June 30, 2017, 2016, and 2015 the obligation was \$4,444, \$5,283 and \$5,848, respectively.

(k) ***Other Liabilities***

Other liabilities are comprised primarily of unclaimed property, student deposits, deposits held in custody for others, reserves for legal and other contingencies and miscellaneous items.

(l) ***Pension and Post-Retirement Benefits***

The funded status of Howard's pension benefit (the "Plan") is actuarially determined and recognized in the consolidated statements of financial position as either an asset to reflect an overfunded status, or as a liability to reflect an underfunded status. Howard's actuarially determined post-retirement benefit obligation is recognized on the consolidated statements of financial position as a liability. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

(m) ***Reserves for Self-Insured Liabilities***

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and includes estimates of the ultimate cost to resolve such claims. The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analyses indicate are probable of assertion in the future. Medical malpractice claim reserves are stated at an undiscounted amount.

(n) ***Refundable Advances Under Federal Student Loan Program***

Funds provided by the United States Department of Education under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. The portion of these funds provided by the Department of Education are ultimately refundable to the Department of Education and are reported as liabilities in the consolidated statements of financial position and as cash flows from financing activities in the consolidated statements of cash flows. Loans issued to students are reported as part of receivables in the consolidated statements of financial position.

(o) **Net Assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted** – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

**Permanently restricted** – Net assets subject to donor-imposed stipulations that do not expire with time or University action. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(p) **Measure of Operations**

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation), investments, changes in retirement plan liabilities due to market factors, restructuring credits and (costs) that do not pertain to continuing core program services.

(q) **New Accounting Pronouncements**

In July 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) number 2017-11 (Topic 815), *Derivatives and Hedging*. The ASU addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-

linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Howard is currently evaluating Topic 815 and planning for the implementation in fiscal year 2018.

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2017-07 (Topic 715), *Compensation—Retirement Benefits*, provides guidance on the presentation of net benefit cost in the income statement and on the components eligible for capitalization in assets. The Update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It allows only the service cost component to be eligible for capitalization when applicable. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented. Howard is currently evaluating and assessing the implementation of this new pronouncement, which will be adopted in fiscal year 2019.

In February 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2017-05 (Topic 610-20), *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets*, provides clarity to the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments define the term *in substance nonfinancial asset*, in part, as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the assets (recognized and unrecognized) that are promised to the counterparty in the contract is concentrated in nonfinancial assets. If substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of Subtopic 610-20. Howard is currently evaluating and assessing ASU number 2017-05 to determine whether it applies to its operations.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2017-02 (Subtopic 958-810), *Not-for-Profit Entities—Consolidation*. The ASU provides guidance on when a not-for-profit entity (NFP) that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in Accounting Standards Update No. 2015-02. Subtopic 958-810 provides general guidance in Subtopic 810-10 on when NFP limited partners should consolidate a limited partnership. The update applies to an NFP that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity. A similar legal entity is an entity such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. In those

entities, a managing member is the functional equivalent of a general partner, and a non-managing member is the functional equivalent of a limited partner. Howard is currently evaluating and assessing ASU number 2017-02 to determine whether it applies to its operations due to the entities created as part of the real estate transactions.

In December 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2016-18 (Topic 230), *Statement of Cash Flows*. The ASU provides guidance on all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. Howard is currently evaluating Topic 230 and planning for the implementation in fiscal year 2018.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2016-15 (Topic 230), *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*. The ASU provides guidance on all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. This Update provide guidance on the following eight specific cash flow issues: (1) Debt Prepayment or Debt Extinguishment Costs, (2) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing, (3) Contingent Consideration Payments Made after a Business Combination, (4) Proceeds from the Settlement of Insurance Claims, (5) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies, (6) Distributions Received from Equity Method Investees, (7) Beneficial Interests in Securitization Transactions, and (8) Separately Identifiable Cash Flows and Application of the Predominance Principle. Howard has assessed and evaluated ASU number 2016-15 and determined it is applicable to its operations. These new pronouncements will be adopted in fiscal year 2018.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2016-14 (Topic 958), *Not-for-Profit Entities*. The ASU provides guidance improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entity's (NFP's) such as liquidity, financial performance, and cash flows so useful information can be provided to donors, grantors, creditors, and other users of

financial statements. This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) Complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent, (2) Deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by potential misunderstandings and confusion about the term *unrestricted net assets* and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity's liquidity, classes of net assets, and financial performance, (3) Inconsistencies in the type of information provided about expenses of the period, and (4) Impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2016-01 (Subtopic 825-10), *Financial Instruments—Overall*. The ASU provides guidance certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Board also is addressing measurement of credit losses on financial assets in a separate project. The updates affect all entities that hold financial assets or owe financial liabilities. The amendments in this Update make targeted improvements to generally accepted accounting principles (GAAP) as follows: (1) Require equity investments to be measured at fair value with changes in fair value recognized in net income, (2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities, (4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (5) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (6) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (7) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, and (8) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. Howard is currently evaluating and assessing ASU number 2016-01 to determine whether it applies to its operations due to the entities that either hold investments or debt.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2015-04 (Topic 715), *Compensation—Retirement Benefits: Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*. The ASU provides guidance on reducing the complexity in accounting standards by identifying, evaluating, and improving areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. A reporting entity with a fiscal year-end that does not coincide with a month-end may incur more costs than other entities when measuring the fair value of plan assets of a defined benefit pension or other postretirement benefit plan. Howard has assessed and evaluated ASU number 2015-04 and determined it is applicable to its operations. This new pronouncement will be adopted in fiscal year 2018.

(r) **Reclassification**

Certain prior year amounts have been reclassified to conform to the current year's presentation. Such reclassifications did not have any impact on the University's previously reported net asset balances.

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**Note 2      Receivables**

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Accounts receivable, prior to adjustment for doubtful collections, are summarized as follows at fiscal years ended June 30, 2017, 2016 and 2015:

Receivables	2017	2016	2015
Student	\$ 38,372	\$ 131,905	\$ 31,643
Notes	14,867	15,607	15,521
Federal appropriation	3,405	4,302	3,405
Patients and third-party payors - Hospital	86,729	73,423	64,532
Patients and third-party payors - FPP	7,552	18,970	25,070
Patients and third-party payors - Dental	2,401	3,628	2,631
Grants and contracts	13,283	15,006	14,860
Contributions	6,052	3,643	6,861
Insurance claims	-	7,526	12,355
Auxiliary services	5,600	5,673	6,856
Other	3,943	8,724	6,182
<b>Total</b>	<b>\$ 182,204</b>	<b>\$ 288,407</b>	<b>\$ 189,916</b>

Other receivables include checks pending deposit at period and year end, and certain vendor credit balances.

Allowance for doubtful receivables is summarized as follows at fiscal years ended June 30, 2017, 2016 and 2015:

<b>Allowance for Doubtful Receivables</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Student	\$ 20,531	\$ 23,327	\$ 16,979
Notes	7,315	5,821	2,789
Patients and third-party payors - Hospital	36,315	26,649	33,226
Patients and third-party payors - FPP	1,270	1,357	9,465
Patients and third-party payors - Dental	1,082	1,409	660
Grants and contracts	616	1,119	3,308
Contributions	2,867	2,055	2,527
Insurance claims	-	1,689	1,689
Auxiliary services	819	531	152
Other	-	115	114
<b>Totals</b>	<b>\$ 70,815</b>	<b>\$ 64,072</b>	<b>\$ 70,909</b>
<b>Total receivables, net</b>	<b>\$ 111,389</b>	<b>\$ 224,335</b>	<b>\$ 119,007</b>

Provision for bad debt is summarized as follows at fiscal years ended June 30, 2017, 2016 and 2015:

<b>Provision for Bad Debt</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><i>Non-clinical services:</i></b>			
Student services	\$ (1,614)	\$ 8,583	\$ 6,762
Notes	1,532	-	-
Grants and contracts	(500)	848	1,739
Insurance claims	-	-	(22)
Auxiliary services	-	389	100
Contributions	812	(471)	904
Other	(7)	-	-
<b>Total non-clinical</b>	<b>\$ 223</b>	<b>\$ 9,349</b>	<b>\$ 9,483</b>
<b><i>Clinical services:</i></b>			
Patients and third-party payors - Hospital	38,245	19,504	22,872
Patients and third-party payors - FPP	12,905	(1,480)	13,919
Patients and third-party payors - Dental	84	796	148
<b>Total clinical services</b>	<b>\$ 51,234</b>	<b>\$ 18,820</b>	<b>\$ 36,939</b>
<b>Total provision for bad debt</b>	<b>\$ 51,457</b>	<b>\$ 28,169</b>	<b>\$ 46,422</b>

Bad debt expense of \$223, \$9,349 and \$9,483 for fiscal years ended June 30, 2017, 2016 and 2015, respectively, reflected in total operating expenses on the statements of activities excludes bad debt expense related to certain clinical services determined to be uncollectible. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues.

Contributions receivable at June 30, 2017, 2016 and 2015 are expected to be received as follows:

Contributions Receivable	2017	2016	2015
Within one year	\$ 2,829	\$ 2,731	\$ 5,529
Between one and five years	3,355	1,554	1,026
Thereafter	552	402	604
Contributions receivable gross	6,736	4,687	7,159
Unamortized discount on contributions receivable (2%-6.5%)	(684)	(1,044)	(298)
Contributions receivable, net of discounts	6,052	3,643	6,861
Allowance for uncollectible contributions	(2,867)	(2,055)	(2,527)
Contributions receivable, net of discounts and allowance	\$ 3,185	\$ 1,588	\$ 4,334

### Note 3 Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

Inventories, Prepaids and Other Assets	2017	2016	2015
Inventories - Hospital	\$ 4,097	\$ 3,568	\$ 3,416
Prepaid expenses	6,755	5,450	6,709
Dialysis joint venture interest	5,054	5,588	5,638
Beneficial interest trust	5,601	5,088	5,038
Workers compensation	-	4,858	-
Self-insured assets	7,972	7,972	-
Intellectual property costs	1,337	1,530	1,530
Other	458	567	205
<b>Total</b>	<b>\$ 31,274</b>	<b>\$ 34,621</b>	<b>\$ 22,536</b>

### Note 4 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets		
	2017	2016	2015
Debt service reserve	\$ 13,220	\$ 12,848	\$ 12,847
Professional liability	-	15	16
Workers' compensation	9	10	10
Health insurance trust	2,230	1,778	1,384
<b>Total</b>	<b>\$ 15,459</b>	<b>\$ 14,651</b>	<b>\$ 14,257</b>
	Liabilities		
	2017	2016	2015
Professional liability	\$ 53,976	\$ 59,127	\$ 55,671
Workers' compensation	15,861	21,234	28,891
Health insurance trust	4,377	6,850	9,987
<b>Total</b>	<b>\$ 74,214</b>	<b>\$ 87,211</b>	<b>\$ 94,549</b>



**(a) Debt Service Reserve Fund**

As required by the 2011 Revenue Bonds, Howard maintains a debt service reserve fund in an amount greater than or equal to the Debt Service Fund Requirement of \$12,634 for all periods reported. The assets in the debt service reserve fund consist primarily of cash, fixed income investments and other short-term securities.

**(b) Professional Liability**

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice that have been asserted against the Hospital and certain faculty physicians are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2017. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued for fiscal years ended June 30, 2017, 2016 and 2015 of approximately \$53,976, \$59,127 and \$55,671, respectively is adequate to provide for losses resulting from probable asserted and unasserted claims, and pending or threatened litigation.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2017, 2016 and 2015 in the table below.

<b>Professional Liability</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 59,127	\$ 55,671	\$ 54,365
Malpractice claims expense	6,081	5,176	13,667
Settlement payments	(11,232)	(1,720)	(12,361)
<b>Ending balance</b>	<b>\$ 53,976</b>	<b>\$ 59,127</b>	<b>\$ 55,671</b>

**(c) Workers' Compensation**

Prior to July 1, 2012, Howard had established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consisted of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As of June 30, 2017, workers' compensation liabilities are being satisfied as claims arise. Howard also maintains \$7,972 in letters of credit, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2017, 2016 and 2015 expenses related to workers' compensation were \$5,670, \$(4,327) and \$3,860, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$15,861, \$21,234 and \$28,891 at June 30, 2017, 2016 and 2015, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying consolidated statements of financial position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were \$0, \$5,837 and \$10,666 at June 30, 2017, 2016, and 2015, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

**(d) Health Insurance**

Prior to July 1, 2012, Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consisted primarily of investments in money market funds. As of June 30, 2014, health insurance claims are being funded as incurred. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at June 30, 2017, 2016 and 2015, is approximately \$4,377, \$6,850 and \$9,987, respectively.

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**Note 5 Fair Value Measurements**

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Howard applies applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

The Howard University  
Notes to the Consolidated Financial Statements  
For Fiscal Years Ended June 30, 2017, 2016 and 2015 (amounts in thousands)

Howard's financial assets and liabilities as of June 30, 2017, 2016 and 2015 are subject to fair value accounting.

Fair value as of June 30, 2017 is as follows:

Fair Value as of June 30, 2017	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Unexpended bond proceeds (6)	\$ -	\$ 3,038	\$ -	\$ 3,038
Deposits with trustees (7)	2,239	13,220	-	15,459
Other assets (8)	7,972	-	5,601	13,573
<b>Total assets (non investment)</b>	<b>\$ 10,211</b>	<b>\$ 16,258</b>	<b>\$ 5,601</b>	<b>\$ 32,070</b>
<b>Operating investments</b>				
Common Stock (3)	39,851	-	-	39,851
<b>Total operating investments</b>	<b>\$ 39,851</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,851</b>
<b>Restricted investments</b>				
Money Market Instrument (1)	-	1,112	-	1,112
Common Stock (3)	42,799	-	-	42,799
Private Equity (4)	-	-	3,052	3,052
Real Estate (4)	-	-	250	250
<b>Total restricted investments</b>	<b>\$ 42,799</b>	<b>\$ 1,112</b>	<b>\$ 3,302</b>	<b>\$ 47,213</b>
<b>Endowment investments</b>				
Money Market Fund (1)	418	62,064	-	62,482
<b>Common/collective trusts</b>				
Emerging Market Equity (3)	-	54,433	-	54,433
Global Fixed Income Security (2)	-	33,743	-	33,743
International Equity Security (3)	-	118,895	-	118,895
Commodity Inflation Hedging (8)	-	11,471	-	11,471
<b>Common Stock (3)</b>	<b>60,552</b>	<b>-</b>	<b>-</b>	<b>60,552</b>
<b>Fixed income</b>				
Corporate Bond (2)	-	25	-	25
<b>Hedge funds</b>				
Equity Long/short (4)	-	13,244	-	13,244
Event driven (4)	-	-	12	12
Global opportunities (4)	-	6,332	-	6,332
Multi-strategy (4)	-	23,800	62	23,862
<b>Mutual funds investment</b>				
Emerging Market Equity Security (3)	34,904	-	-	34,904
Domestic Common Stock (3)	31,801	-	-	31,801
Domestic Fixed Income (2)	78,021	-	-	78,021
International Equity Security (3)	10,452	-	-	10,452
<b>Limited partnerships (4)</b>	<b>-</b>	<b>-</b>	<b>84,459</b>	<b>84,459</b>
<b>Real estate (4)</b>	<b>-</b>	<b>-</b>	<b>21,536</b>	<b>21,536</b>
<b>Total endowment investments</b>	<b>\$ 216,148</b>	<b>\$ 324,007</b>	<b>\$ 106,069</b>	<b>\$ 646,224</b>
<b>Total investments</b>	<b>\$ 298,798</b>	<b>\$ 325,119</b>	<b>\$ 109,371</b>	<b>\$ 733,288</b>
Assets not subject to fair value reporting (9)	1,239	-	-	1,239
Liabilities not subject to fair value reporting (9)	(907)	-	-	(907)
<b>Total assets and liabilities measured at fair value</b>	<b>\$ 309,341</b>	<b>\$ 341,377</b>	<b>\$ 114,972</b>	<b>\$ 765,690</b>

Level 3 investments were 15% of total investments.

The Howard University  
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Fair value as of June 30, 2016 is as follows:

<b>Fair Value as of June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Unexpended bond proceeds (6)	\$ -	\$ 5,027	\$ -	\$ 5,027
Deposits with trustees (7)	1,734	12,917	-	14,651
Other assets (8)	7,972	-	5,588	13,560
<b>Total assets (non investment)</b>	<b>\$ 9,706</b>	<b>\$ 17,944</b>	<b>\$ 5,588</b>	<b>\$ 33,238</b>
<b>Operating investments</b>				
Common Stock (3)	34,433	-	-	34,433
<b>Total operating investments</b>	<b>\$ 34,433</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,433</b>
<b>Restricted investments</b>				
Money Market Instrument (1)	-	1,001	-	1,001
Common Stock (3)	36,819	-	-	36,819
Private Equity (4)	-	-	2,902	2,902
Real Estate (4)	-	-	250	250
<b>Total restricted investments</b>	<b>\$ 36,819</b>	<b>\$ 1,001</b>	<b>\$ 3,152</b>	<b>\$ 40,972</b>
<b>Endowment investments</b>				
Money Market Fund (1)	30	50,635	-	50,665
<b>Common/collective trusts</b>				
Emerging Market Equity (3)	-	43,281	-	43,281
Global Fixed Income Security (2)	-	32,196	-	32,196
International Equity Security (3)	-	96,687	-	96,687
Domestic Common Stock (3)	-	21,931	-	21,931
Commodity Inflation Hedging (8)	-	12,121	-	12,121
<b>Common Stock (3)</b>	<b>42,511</b>	<b>-</b>	<b>-</b>	<b>42,511</b>
<b>Fixed income</b>				
Corporate Bond (2)	-	27	-	27
<b>Hedge funds</b>				
Equity Long/short (4)	-	12,683	-	12,683
Event driven (4)	-	158	12	170
Global opportunities (4)	-	6,108	-	6,108
Multi-strategy (4)	-	22,741	74	22,815
<b>Mutual funds investment</b>				
Emerging Market Equity Security (3)	28,133	-	-	28,133
Domestic Common Stock (3)	30,454	-	-	30,454
Domestic Fixed Income (2)	76,282	-	-	76,282
International Equity Security (3)	9,317	-	-	9,317
<b>Limited partnerships (4)</b>	<b>-</b>	<b>-</b>	<b>75,778</b>	<b>75,778</b>
<b>Real estate (4)</b>	<b>-</b>	<b>-</b>	<b>16,863</b>	<b>16,863</b>
<b>Total endowment investments</b>	<b>\$ 186,727</b>	<b>\$ 298,568</b>	<b>\$ 92,727</b>	<b>\$ 578,022</b>
<b>Total investments</b>	<b>\$ 257,979</b>	<b>\$ 299,569</b>	<b>\$ 95,879</b>	<b>\$ 653,427</b>
Assets not subject to fair value reporting (9)	1,164	-	-	1,164
Liabilities not subject to fair value reporting (9)	(2,054)	-	-	(2,054)
<b>Total assets and liabilities measured at fair value</b>	<b>\$ 266,795</b>	<b>\$ 317,513</b>	<b>\$ 101,467</b>	<b>\$ 685,775</b>

Level 3 investments were 15% of total investments.

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Fair value as of June 30, 2015 is as follows:

Fair Value as of June 30, 2015	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Unexpended bond proceeds (6)	\$ -	\$ 10,440	\$ -	\$ 10,440
Deposits with trustees (7)	1,395	12,862	-	14,257
Other assets (8)	-	-	5,038	5,038
<b>Total assets (non investment)</b>	<b>\$ 1,395</b>	<b>\$ 23,302</b>	<b>\$ 5,038</b>	<b>\$ 29,735</b>
<b>Operating investments</b>				
Common Stock (3)	36,333	-	-	36,333
<b>Total operating investments</b>	<b>\$ 36,333</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,333</b>
<b>Restricted investments</b>				
Money Market Instrument (1)	-	1,820	-	1,820
Common Stock (3)	44,091	-	-	44,091
Private Equity (4)	-	-	1,940	1,940
Real Estate (4)	-	-	250	250
<b>Total restricted investments</b>	<b>\$ 44,091</b>	<b>\$ 1,820</b>	<b>\$ 2,190</b>	<b>\$ 48,101</b>
<b>Endowment investments</b>				
Money Market Fund (1)	283	38,730	-	39,013
<b>Common/collective trusts</b>				
Emerging Market Equity (3)	-	27,543	-	27,543
Global Fixed Income Security (2)	-	30,848	-	30,848
International Equity Security (3)	-	104,663	-	104,663
Domestic Common Stock (3)	-	23,348	-	23,348
Commodity Inflation Hedging (8)	-	14,384	-	14,384
<b>Common Stock (3)</b>	<b>46,703</b>	<b>-</b>	<b>-</b>	<b>46,703</b>
<b>Fixed income</b>				
Corporate Bond (2)	-	44	-	44
<b>Hedge funds</b>				
Distressed Debt (4)	-	2,769	-	2,769
Equity Long/short (4)	-	13,541	-	13,541
Event driven (4)	-	3,328	3,096	6,424
Global opportunities (4)	-	6,233	-	6,233
Multi-strategy (4)	-	25,889	3,578	29,467
<b>Mutual funds investment</b>				
Emerging Market Equity Security (3)	33,035	-	-	33,035
Domestic Common Stock (3)	30,915	-	-	30,915
Domestic Fixed Income (2)	74,038	-	-	74,038
International Equity Security (3)	9,814	-	-	9,814
<b>Limited partnerships (4)</b>	<b>-</b>	<b>-</b>	<b>81,305</b>	<b>81,305</b>
<b>Real estate (4)</b>	<b>-</b>	<b>-</b>	<b>16,362</b>	<b>16,362</b>
<b>Total endowment investments</b>	<b>\$ 194,788</b>	<b>\$ 291,320</b>	<b>\$ 104,341</b>	<b>\$ 590,449</b>
<b>Total investments</b>	<b>\$ 275,212</b>	<b>\$ 293,140</b>	<b>\$ 106,531</b>	<b>\$ 674,883</b>
Assets not subject to fair value reporting (9)	935	-	-	935
Liabilities not subject to fair value reporting (9)	(725)	-	-	(725)
<b>Total assets and liabilities measured at fair value</b>	<b>\$ 276,817</b>	<b>\$ 316,442</b>	<b>\$ 111,569</b>	<b>\$ 704,828</b>

Level 3 investments were 16% of total investments.

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2. Investments in comingled funds with underlying securities in common stock are classified as Level 2 because there is a readily determinable unit price and the units held can be redeemed in less than one month.
- (4) Alternative investments include Howard’s limited partnership interests, hedge funds, private equity and real estate and commodity funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund’s underlying assets and include valuation methods such as market, cost and income approaches. In accordance with ASC 820, *Fair Value Measurement*, which governs the classification of certain investments with the option of Net Asset Value redemption value as Level 2, Howard has classified qualifying investments in Hedge Funds and Commodity Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds and Commodity Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3.

These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

- (5) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.
- (6) Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.
- (7) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as Level 1 and other fixed income securities are classified as Level 2.
- (8) Other assets represent the University's beneficial interest in certain trust assets held by third parties. The fair value of this interest has been measured using the income approach as there is no active principal market trading in this interest. This interest was valued using the quoted market value for the underlying marketable securities of the Trust discounted for expected future cash flows to the University. These interests are classified as Level 3 assets as the reported fair values are based on a combination of observable and unobservable inputs.

- (9) Assets and liabilities not subject to fair value reporting represent transactions that have been entered into but not settled by the reporting date of June 30.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while Howard believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

The following tables present the changes in amounts included in the consolidated statements of financial position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

Changes in Level 3 securities for the period ended June 30, 2017 is as follows:

Changes in Level 3 for the period ended June 30, 2017	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2016	\$ 78,680	\$ 86	\$ 17,113	\$ 5,588	\$ 101,467
Gain and Loss (Realized and unrealized)	12,040	(12)	2,085	13	14,126
Acquisitions	23,008	-	9,885	-	32,893
Sales	(26,217)	-	(7,297)	-	(33,514)
<b>Balance June 30, 2017</b>	<b>\$ 87,511</b>	<b>\$ 74</b>	<b>\$ 21,786</b>	<b>\$ 5,601</b>	<b>\$ 114,972</b>
<b>Change in unrealized investments held</b>	<b>\$ 2,628</b>	<b>\$ 37</b>	<b>\$ 893</b>	<b>\$ 13</b>	<b>\$ 3,571</b>

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2017. Transfers, when made, are deemed to be made at the end of the fiscal year.

Changes in Level 3 securities for the period ended June 30, 2016 is as follows:

Changes in Level 3 for the period ended June 30, 2016	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2015	\$ 83,245	\$ 6,674	\$ 16,612	\$ 5,038	\$ 111,569
Gain and Loss (Realized and unrealized)	5,527	(303)	2,824	550	8,598
Acquisitions	8,261	-	2,518	-	10,779
Sales	(18,353)	(6,285)	(4,841)	-	(29,479)
<b>Balance June 30, 2016</b>	<b>\$ 78,680</b>	<b>\$ 86</b>	<b>\$ 17,113</b>	<b>\$ 5,588</b>	<b>\$ 101,467</b>
<b>Change in unrealized investments held</b>	<b>\$ 6,306</b>	<b>\$ (1,325)</b>	<b>\$ 2,903</b>	<b>\$ 550</b>	<b>\$ 8,435</b>

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2016. Transfers, when made, are deemed to be made at the end of the fiscal year.



Changes in Level 3 securities for the period ended June 30, 2015 is as follows:

Changes in Level 3 for the period ended June 30, 2015	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2014	\$ 92,974	\$ 7,388	\$ 17,305	\$ 4,968	\$ 122,635
Gain and Loss (Realized and unrealized)	5,681	(714)	2,544	70	7,581
Acquisitions	7,604	-	1,210	-	8,814
Sales	(23,014)	-	(4,447)	-	(27,461)
<b>Balance June 30, 2015</b>	<b>\$ 83,245</b>	<b>\$ 6,674</b>	<b>\$ 16,612</b>	<b>\$ 5,038</b>	<b>\$ 111,569</b>
<b>Change in unrealized investments held</b>	<b>\$ (7,690)</b>	<b>\$ (714)</b>	<b>\$ 1,175</b>	<b>\$ 70</b>	<b>\$ (7,159)</b>

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2015. Transfers, when made, are deemed to be made at the end of the fiscal year.

Net investment income (loss) is summarized as follows for fiscal years June 30, 2017, 2016 and 2015:

Net Investment Income (Loss)	2017	2016	2015
Interest and dividends	\$ 13,559	\$ 7,997	\$ 12,397
Net realized gains	37,535	15,955	29,417
Net unrealized gains (losses)	38,591	(36,720)	(32,910)
Other investment income, net of expense	99	71	201
Investment expenses	(3,809)	(3,490)	(3,006)
<b>Net investment income (loss)</b>	<b>\$ 85,975</b>	<b>\$ (16,189)</b>	<b>\$ 6,099</b>
<b>Current year unrestricted operating return (loss)</b>	<b>5,270</b>	<b>(1,015)</b>	<b>966</b>
Current year non-operating investment return (loss):			
Unrestricted	41,152	(6,984)	1,826
Restricted	39,553	(8,190)	3,307
<b>Total current year investment return</b>	<b>\$ 85,975</b>	<b>\$ (16,189)</b>	<b>\$ 6,099</b>
Prior year return designated for current operations:			
Unrestricted	(6,954)	(6,581)	(6,346)
Restricted	(8,174)	(7,693)	(7,372)
<b>Total designated for current operation</b>	<b>\$ (15,128)</b>	<b>\$ (14,274)</b>	<b>\$ (13,718)</b>
<b>Net non-operating investment return:</b>			
Unrestricted	34,198	(13,565)	(4,520)
Restricted	31,379	(15,883)	(4,064)

**Liquidity Terms and Unfunded Commitments** – The following tables represent Howard’s investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2017, 2016 and 2015. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investments as of June 30, 2017	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 43,450	\$ -	Monthly-Annually	45-90 days
Real estate funds	21,786	11,473	-	2-10 years
Common/collective trusts	218,665	-	Monthly	-
Limited partnerships	87,511	59,381	-	≤ 10 years

Investments as of June 30, 2016	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 41,776	\$ -	Monthly-Annually	45-90 days
Real estate funds	17,113	1,082	-	2-10 years
Common/collective trusts	206,216	-	Monthly	-
Limited partnerships	78,680	31,983	-	≤ 10 years

Investments as of June 30, 2015	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 58,434	\$ -	Monthly-Annually	45-90 days
Real estate funds	16,612	3,059	-	2-10 years
Common/collective trusts	200,786	-	Monthly	-
Limited partnerships	83,245	26,841	-	≤ 10 years

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**Note 6      Endowment Fund**

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Howard’s endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

**Interpretation of Relevant Law**

**Net Asset Classification** - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Spending** - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

**Management and Investment** - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions, regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

As of fiscal years ended June 30, 2017, 2016 and 2015 total endowment funds classified as permanently restricted and temporarily restricted net assets were:

<b>Restricted Endowment</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Permanently Restricted Net Assets</b>			
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA:	\$ 90,729	\$ 88,658	\$ 81,904
<b>Temporarily Restricted Net Assets</b>			
Time restricted funds	148,555	134,335	140,868
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:			
Without purpose restrictions	4,048	3,578	4,204
With purpose restrictions	56,662	49,523	58,106
<b>Total endowment funds classified as temporarily restricted net assets</b>	<b>\$ 209,265</b>	<b>\$ 187,436</b>	<b>\$ 203,178</b>

The change in value and the composition of amounts classified as endowment as of June 30, 2017 is as follows:

<b>For period ended June 30, 2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ 305,340	\$ 187,436	\$ 88,658	\$ 581,434
Investment return:				
Investment income	5,785	6,594	178	12,557
Net appreciation (realized and unrealized)	31,198	30,790	279	62,267
<b>Total investment return</b>	<b>\$ 36,983</b>	<b>\$ 37,384</b>	<b>\$ 457</b>	<b>\$ 74,824</b>
Contributions	162	3,424	1,710	5,296
Appropriation of endowment assets for operations	(6,257)	(8,709)	(162)	(15,128)
Other changes:				
Match release	11,985	(11,985)	-	-
Transfer and other changes	3,468	67	-	3,535
<b>Endowment net assets, end of year</b>	<b>\$ 351,681</b>	<b>\$ 207,617</b>	<b>\$ 90,663</b>	<b>\$ 649,961</b>
Donor-restricted endowment funds	(3,026)	207,617	90,663	295,254
Board-designated endowment funds	354,707	-	-	354,707
<b>Endowment net assets, end of year</b>	<b>\$ 351,681</b>	<b>\$ 207,617</b>	<b>\$ 90,663</b>	<b>\$ 649,961</b>

The change in value and the composition of amounts classified as endowment as of June 30, 2016 is as follows:

<b>Endowment Change in Value</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>For period ended June 30, 2016</b>				
<b>Endowment net assets, beginning of year</b>	\$ 308,982	\$ 203,178	\$ 81,904	\$ 594,064
Investment return:				
Investment income	3,200	3,719	175	7,094
Net depreciation (realized and unrealized)	(10,594)	(9,783)	(38)	(20,415)
<b>Total investment return</b>	<b>\$ (7,394)</b>	<b>\$ (6,064)</b>	<b>\$ 137</b>	<b>\$ (13,321)</b>
Contributions	373	3,458	6,727	10,558
Appropriation of endowment assets for operations	(7,775)	(6,389)	(110)	(14,274)
Other changes:				
Match release	7,701	(7,701)	-	-
Transfer and other changes	3,453	954	-	4,407
<b>Endowment net assets, end of year</b>	<b>\$ 305,340</b>	<b>\$ 187,436</b>	<b>\$ 88,658</b>	<b>\$ 581,434</b>
Donor-restricted endowment funds	(7,137)	187,436	88,658	268,957
Board-designated endowment funds	312,477	-	-	312,477
<b>Endowment net assets, end of year</b>	<b>\$ 305,340</b>	<b>\$ 187,436</b>	<b>\$ 88,658</b>	<b>\$ 581,434</b>

The change in value and the composition of amounts classified as endowment as of June 30, 2015 is as follows:

Endowment Change in Value For period ended June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 299,890	\$ 214,442	\$ 80,975	\$ 595,307
Investment return:				
Investment income	4,821	5,803	239	10,863
Net depreciation (realized and unrealized)	(2,068)	(3,780)	(153)	(6,001)
<b>Total investment return</b>	<b>\$ 2,753</b>	<b>\$ 2,023</b>	<b>\$ 86</b>	<b>\$ 4,862</b>
Contributions	182	3,426	827	4,435
Appropriation of endowment assets for operations	(6,994)	(6,615)	(108)	(13,717)
Other changes:				
Match release	10,146	(10,146)	-	-
Transfer and other changes	3,005	48	124	3,177
<b>Endowment net assets, end of year</b>	<b>\$ 308,982</b>	<b>\$ 203,178</b>	<b>\$ 81,904</b>	<b>\$ 594,064</b>
Donor-restricted endowment funds	(4,181)	203,178	81,904	280,901
Board-designated endowment funds	313,163	-	-	313,163
<b>Endowment net assets, end of year</b>	<b>\$ 308,982</b>	<b>\$ 203,178</b>	<b>\$ 81,904</b>	<b>\$ 594,064</b>

Howard's endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For fiscal years ended June 30, 2017, 2016 and 2015 receivables of \$3,405, \$4,302 and \$3,405, respectively were recorded, and represent the difference between endowment investments reflected on consolidated statements of financial position and endowment net assets reported above.

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in unrestricted net assets and totaled \$4,740, \$7,137 and \$4,181 as of fiscal years ended June 30, 2017, 2016 and 2015, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

**Return Objectives and Risk Parameters** - Howard has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these policies the endowment assets are invested through a well-diversified investment

program designed to exceed the risk-adjusted performance of the market benchmark representative of each asset class over rolling five to seven year periods. Howard's objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceeds its targeted distribution amount over rolling five to seven year periods. Howard's investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - Howard's spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

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**Note 7 Long-Lived Assets**

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Long-Lived Assets	2017	2016	2015
Land and land improvements	\$ 27,996	\$ 27,911	\$ 27,911
Buildings and building improvements	876,234	871,570	847,079
Property held for expansion	54,819	54,819	54,819
Property held under leases	28,236	28,236	28,236
Furniture and equipment	332,674	321,277	292,669
Library books	91,736	91,376	91,075
Software	118,532	114,827	114,353
Software in progress	111	6,169	6,169
Construction in progress	10,390	15,186	77,798
Long-lived assets, gross	1,540,728	1,531,371	1,540,109
Accumulated depreciation and amortization	(1,022,773)	(976,681)	(946,773)
<b>Long-lived assets, net</b>	<b>\$ 517,955</b>	<b>\$ 554,690</b>	<b>\$ 593,336</b>

For the fiscal year ended June 30, 2017 there were \$10,599 in additions and \$1,210 in sales, disposals and retirements.

Depreciation and amortization expense for the years ended June 30, 2017, 2016 and 2015 were \$50,154, \$44,883 and \$51,596, respectively. For fiscal years ended June 30, 2017, 2016, and 2015, respectively, net interest costs of \$0, \$158 and \$198 were incurred during construction and capitalized as part of the cost of capital projects.

Long-lived assets include property held for expansion, consisting of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use.

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**Note 8      Accounts Payable and Accrued Expenses**

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Components of this liability account at fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

<b>Accounts Payable and Accrued Expenses</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Vendor invoices	\$ 59,688	\$ 54,205	\$ 96,177
Accrued salaries and wages	23,652	24,083	22,823
Accrued employee benefits	6,011	7,224	6,984
Accrued annual leave	4,444	5,283	5,848
Accrued faculty retirement incentive payments	1,008	2,088	3,610
Accrued interest	4,649	4,680	5,071
Other	90	419	1,337
<b>Total</b>	<b>\$ 99,542</b>	<b>\$ 97,982</b>	<b>\$ 141,850</b>

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**Note 9      Other Liabilities and Deferred Revenue**

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These obligations include the following at fiscal years ended June 30, 2017, 2016 and 2015:

<b>Other liabilities</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Asset retirement obligation	\$ -	\$ -	\$ 13,514
Environmental remediation	-	-	3,000
Environmental liabilities	5,093	8,887	-
Residence halls	1,806	5,977	-
Unclaimed property	3,681	3,499	2,644
Student deposits and refunds	3,329	2,578	3,300
Reserve for legal contingencies	1,600	1,735	3,074
Deposits held in custody for others	703	1,376	1,702
Other	1,225	1,237	3,791
<b>Total</b>	<b>\$ 17,437</b>	<b>\$ 25,289</b>	<b>\$ 31,025</b>

Deferred revenue	2017	2016	2015
Deferred tuition, room and board	\$ 3,145	\$ 94,100	\$ 2,932
Deferred grant revenue	11,190	11,810	8,430
Deferred savings incentive revenue	1,175	1,775	2,375
Other	349	881	344
<b>Total</b>	<b>\$ 15,859</b>	<b>\$ 108,566</b>	<b>\$ 14,081</b>

Howard recorded an asset retirement obligation in fiscal year 2006 and subsequently updated the estimate in fiscal year 2009. In fiscal year 2016 a study was performed to review the documentation and methodology used to establish the obligation. Based on the study and the guidance in ASC 410 – *Asset Retirement and Environmental Obligations*, the liability does not qualify as an asset retirement obligation and is considered a general liability. Accordingly, in fiscal year 2016, the liability was reduced by \$7,900 and the net expense impact of \$5,200 is recorded as a reduction to institutional support.

In prior years, Howard’s asset retirement obligation was discounted using a rate of 4.9%. Amounts for the fiscal years ended June 30, 2017, 2016 and 2015, were as follows:

Environmental liabilities	2017	2016	2015
Asset retirement costs	\$ -	\$ 969	\$ 4,565
Accumulated depreciation	-	841	2,253
Asset retirement obligation	-	-	13,514
Environmental liabilities	5,093	8,887	-
<b>Total</b>	<b>\$ 5,093</b>	<b>\$ 10,697</b>	<b>\$ 20,332</b>

Howard incurred costs related to remediation during fiscal years ended June 30, 2017, 2016 and 2015 of \$1,177, \$113 and \$234, respectively.

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**Note 10**      **Leases**

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***Lease Obligations***

In the prior year, Howard University elected to adopt ASC 842 – *Leases*. The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

The primary difference between accounting for leases under ASC 840 and the new guidance under ASC 842 is the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. Accordingly, Howard has recognized all lease assets and liabilities, with certain exceptions, on its statements of financial position. Both financing leases and operating leases



create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payments.

The classification criteria in ASC 842 for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under ASC 840. Under ASC 842, a lessee finance lease exists when any of the following criteria are met at lease commencement:

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- c. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.
- e. The underlying asset is of such a specialized nature that it is expected to t

A lessor would classify a lease having any of the above characteristics as a sales-type lease.

If the lease has none of the above characteristics, then a lessee would classify the lease as an operating lease. A lessor would classify the lease as either an operating lease or a direct financing lease.

#### *Finance Leases*

Howard is obligated under finance leases for office and medical equipment that extend through 2020, and the chiller plant that extends through 2031, in the amounts of \$28,665, \$25,045 and \$33,488, respectively at fiscal years ended June 30, 2017, 2016 and 2015. Lease payments for the chiller plant include both fixed and variable payments. The variable payments are based upon consumption exceeding the threshold specified in the lease.

Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities. With the exception of

leases for certain medical equipment that will expend its useful life by the end of the lease, Howard has included renewal periods in its assessment of lease terms. The right-of-use assets are amortized over their estimated useful lives. The finance lease right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

<b>Right of Use Assets - Finance Lease</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Right of use assets - financing	\$ 85,152	\$ 68,871	\$ 76,589
Accumulated amortization	(59,222)	(51,066)	(55,068)
<b>Right of use assets, net</b>	<b>25,930</b>	<b>17,805</b>	<b>21,521</b>

The discount rates used in measuring the finance right-of-use assets and liabilities are the rates as explicitly stated in each lease.

June 30, 2017, the future minimum lease payments under finance leases (with initial or remaining lease terms in excess of one year) are as follows:

<b>Lease Obligations</b>	<b>Finance Leases</b>
Future principal and interest years ending June 30	
2018	\$ 7,271
2019	5,111
2020	3,085
2021	3,064
2022	2,486
2023 and thereafter	22,890
Obligation, gross	43,907
Amounts representing interest rates from 2% to 10%	(15,242)
<b>Total Lease Obligations, net</b>	<b>\$ 28,665</b>

At June 30, 2017, the minimum interest payments under finance leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

<b>Lease Obligation - Interest</b>	<b>Finance Leases</b>
Future interest payments years ending June 30	
2018	\$ 1,959
2019	1,676
2020	1,531
2021	1,429
2022	1,327
2023 and thereafter	7,320
<b>Total Lease obligation interest</b>	<b>\$ 15,242</b>

*Operating Leases*

Howard has several non-cancelable operating leases for broadcast antennas, equipment and a vehicle fleet that extend through 2029.

Rent expense is recognized on a straight-line basis and is allocated in the statements of activities by function. Rent expense related to building space and equipment for fiscal years ended June 30, 2017, 2016 and 2015 was \$9,626, \$8,446 and \$6,012, respectively. Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities, and has included renewal periods in its assessment of lease terms. The right-of-use assets are amortized over their estimated useful lives. The operating lease right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

<b>Right of Use Assets - Operating</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Right of use assets - operating	\$ 4,599	\$ 3,958	\$ 4,886
<b>Right of use assets, net</b>	<b>4,599</b>	<b>3,958</b>	<b>4,886</b>

At June 30, 2017, the minimum future payments under operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

<b>Lease Obligation</b>	<b>Operating Leases</b>
Future lease payments years ending June 30	
2018	\$ 424
2019	438
2020	438
2021	453
2022	467
2023 and thereafter	1,879
<b>Total Operating Lease Obligations</b>	<b>\$ 4,099</b>

Certain supplemental quantitative information as required under ASC 842 is as follows for the fiscal years ended June 30:

<b>Lease expense</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Finance lease expense:			
<i>Amortization of right of use assets</i>	\$ 7,526	\$ 5,348	\$ 6,507
<i>Interest on lease liabilities</i>	2,345	2,746	3,128
Operating lease expense	456	438	422
<b>Total</b>	<b>\$ 10,327</b>	<b>\$ 8,531</b>	<b>\$ 10,057</b>
<b>Other information</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash paid for amounts included in the measurements of lease liabilities for finance leases:			
Operating cash flows	\$ 2,345	\$ 2,907	\$ 3,128
Financing cash flows	6,945	8,724	7,339
Cash paid for amounts included in the measurement of lease liabilities for operating leases:			
Operating cash flows	409	388	400
Right of use (ROU) assets obtained in exchange for lease liabilities:			
Finance leases	6,784	1,655	-
Operating leases	2,818	-	-
Weighted-average remaining lease term (in years):			
Finance leases	10.22	9.97	9.62
Operating leases	11.48	6.81	7.26
Weighted-average discount rate:			
Finance leases	7.57%	7.31%	7.07%
Operating leases	6.50%	6.50%	6.50%

### ***Lease Income***

#### ***Sales-Type Lease***

In the prior year, Howard entered into a lease contract related to the Meridian Hill transaction and determined the lease was a sales-type lease under ASC 842. The ground lease was assessed as a sales-type lease due to the length of the term (99 years) and the fair value of the land and building relative to the consideration received. There are no residual value guarantees, renewal options, or variable lease payments. As a result of the ground lease, Howard recognized a \$17,486 gain in its statements of activities for the year ended June 30, 2016, and removed the assets from its books.

#### ***Lessor Operating Leases***

Howard has assessed all contracts that convey control of its assets to third parties as lessor leases. Lessors recognize an unbilled lease receivable for their operating leases. Such treatment results in the recognition of lease income on a straight-line

basis, while the underlying leased asset remains on the lessor's statement of financial position and is continuously depreciated.

Howard has several operating leases for retail and commercial space for which rent payments are fixed at the time of lease commencement. Howard considered the likelihood of its tenants exercising renewal or termination terms in its leases, based upon prior renewals or extensions, sales and revenue forecasts, etc. in determining the ultimate term of the lease. Some tenants have the option of re-negotiating a new agreement upon the termination of the lease or extending the terms in the current lease for another couple of years or go on a month-to-month lease. Termination terms are explicitly stated in each lease agreements as both the Lessor and Lessee can exercise rights to terminate agreement. Lease payments are governed by the lease agreement and are generally fixed, although some lease agreements provide for payment escalations based on CPI. Howard only includes consideration for lease components in its determination of lease payments.

Howard's leased properties are comprised of (1) the Wonder Plaza Building, (2) land dedicated to use as parking lots, (3) space available on the top of certain buildings, and (4) ground leases (Provident and Meridian Hill). Other standalone buildings owned by Howard are leased to private companies such as (5) a public charter school, (6) a car rental company, and (7) a pharmacy. Howard also leases space in the Hospital to a large private pharmacy. Howard's leases do not have any provisions for tenants to purchase the underlying asset being leased at the end of the lease term, or that provide for residual value guarantees.

Howard University receives rental income under these lease agreements, which have termination dates through 2023 and thereafter. The total lease income received for fiscal years ended June 30, 2017, 2016 and 2015 was \$2,059, \$1,745 and \$1,508, respectively and are reported in auxiliary service revenue on the statements of activities.

The future minimum lease income for years ending at June 30 is as follows:

<b>Future minimum lease income</b>	<b>June 30</b>
2018	\$ 1,763
2019	1,788
2020	1,793
2021	1,757
2022	2,277
2023 and thereafter	5,922
<b>Total minimum lease income receipts</b>	<b>\$ 15,300</b>

**Note 11 Bonds and Notes Payable**

(a) **Bonds Payable**

Howard is obligated with respect to the following bond issues at June 30:

<b>Bonds Payable</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><i>District of Columbia issues:</i></b>			
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	\$ 6,847	\$ 7,477	\$ 8,048
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	192,145	225,250	225,250
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	61,750	63,665	65,065
2016 Revenue bonds Serial due 2015 through 2031	160,000	160,000	-
<b>Total bonds payable, gross</b>	<b>\$ 420,742</b>	<b>\$ 456,392</b>	<b>\$ 298,363</b>
Unamortized bond premium (discount)	(5,093)	(5,316)	(5,510)
Unamortized bond issuance costs	(4,683)	(4,937)	(4,563)
<b>Total bonds payable, net</b>	<b>\$ 410,966</b>	<b>\$ 446,139</b>	<b>\$ 288,290</b>

(1) **2010 Revenue Bonds**

In August 2010, Howard issued \$10,400 of Series 2010 bonds. The bonds bear interest at 5.05% repayable from 2010 to 2025. The proceeds were used to retire an expiring equipment note and to fund energy related projects.

(2) **2011 Revenue Bonds**

In April 2011, Howard issued \$225,250 of tax exempt revenue bonds (Series 2011A) and \$65,065 of taxable revenue bonds (Series 2011B) to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The interest rate on the tax exempt bonds range from 5.25% to 6.50% and the bonds are repayable from 2020 to 2041. The taxable bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon is 6.57%. The 2011 bonds require Howard to maintain a debt service fund of \$12,634. At the fiscal year ended June 30, 2017 the fund balance was \$13,220.

The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District of Columbia, at the written direction of Howard, in its sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

In fiscal year 2017, Howard University entered into a Service Concession Agreement with Corvias Campus Living – HU, LLC. resulting in a bond defeasance of \$33,105 for the 2011A Bonds. The defeased bonds are deemed to be paid and no longer outstanding bonds of the District of Columbia. This is an extraordinary and unusual event and is reported as a part of income from continuing operations on the statement of activities after total operating expenses. See Note 22 for a description of the Service Concession Agreement.

<b>Maturity Date</b>	<b>Refunded bonds</b>	<b>Redeemed Principal</b>	<b>Rate</b>	<b>Call Date</b>
10/1/2027		\$ 8,645	5.75%	4/1/2021
10/1/2032*		22,755	6.25%	4/1/2021
10/1/2037*		440	6.50%	4/1/2021
10/1/2041*		1,265	6.50%	4/1/2021
<b>Total</b>		<b>\$ 33,105</b>		

*\*The amounts shown for these maturities represent a portion of the principal amount of the bonds originally issued. Only the specified portions of the principal amounts provided in this notice have been defeased as of the defeasance date.*

The Series 2011B Bonds are subject to optional redemption prior to maturity in whole or in part on any Business Day at the Make-Whole Redemption Price at the direction of Howard.

2011 Bond proceeds of \$19,782 were used to create a deposit for capitalized interest. The remaining balance of this fund is \$0 at June 30, 2017.

On June 5, 2015, Moody's Investors Service placed under review a downgrade of Howard's Series 2011A and 2011B bonds to Ba2 with a negative outlook from Baa3. The downgrade to Ba2 reflects the cumulative effect on ongoing losses at both Howard University Hospital and Howard University combined with expected continued pressure on revenue and liquidity management. On July 30, 2015, Moody's Investors Service confirmed the June 5, 2015 review for downgrade of Howard's Series 2011A and 2011B bonds to Ba2 with a negative outlook from Baa3.

### (3) **2016 Revenue Bonds**

In June 2016, Howard issued \$162,420 of taxable private placement bonds ("the 2016 Revenue Bonds"). The Bonds will bear interest at a weekly rate with a maximum bond rate of 12%. The 2016 Revenue Bonds are repayable by August 2031.

(4) **Fair Value of Bonds**

Currently the estimated fair value of Howard's bonds is determined based on quoted market prices. At fiscal years ended June 30, 2017, 2016 and 2015, the estimated fair value was approximately \$437,210, \$480,939 and \$316,072, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

(b) **Notes Payable**

Howard is obligated with respect to the following notes payable at June 30:

<b>Notes Payable</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Bank of America Property Loan</b> Due monthly, through June 1, 2017, variable interest rate of Libor plus 3.50%	\$ -	\$ -	\$ 3,971
<b>Multi-bank Agreement</b> Due July 24, 2016, variable interest rate at daily LIBOR plus 2.5%	-	-	95,000
<b>Total Notes Payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,971</b>

In June 2016, Howard entered into a \$75,000 JP Morgan Chase Revolving Credit Agreement. There is no outstanding balance at June 30, 2016. The initial agreement terminates in June 2019. Howard is obligated to pay a quarterly non-refundable commitment fee. The Commitment fee shall be payable upon availability of funds commencing on October 1, 2016.

In June 2014, Howard replaced its \$135,000 Multi-bank Credit Agreement with a \$100,000 Multi-bank Credit Agreement that extended through July 2016. The outstanding balance of \$95,000 was paid with proceeds from the 2016 Revenue Bonds in June 2016. Outstanding borrowings under these agreements at fiscal years ended June 30, 2017, 2016 and 2015 were \$0, \$0 and \$95,000, respectively.

In February 2014, Howard amended its financing agreement for the Bank of America Property Loan for the unpaid principal balance of \$5,447, extending the final maturity date from May 31, 2014 to June 1, 2017. In June 2016, the outstanding balance of \$3,971 was paid with proceeds from the 2016 Revenue Bonds.



(c) ***Compliance with Contractual Covenants***

In May 2011, Howard's debt covenants were amended in conjunction with the 2011 Bond issuance and Multi-bank Credit Agreement execution. In June 2014, the debt covenants were amended for the re-negotiated Multi-bank Credit Agreement.

In 2015, Howard, as was required by the terms of the Multi-bank Credit Agreement, granted lenders a security interest in collateral in the form of cash and securities delivered to their collateral agent. Howard would pledge additional collateral when the collateral value was less than the minimum collateral amount. The collateral agent was not allowed to re-pledge or sell the collateral securities. At June 30, 2015, the carrying value of the pledged securities was \$133,903 and was reported in endowment investments. There were no pledged securities at fiscal years ended June 30, 2017 or 2016.

At June 30, 2017, 2016, and 2015, Howard was compliant with the Liquidity Ratio measurements and with the Debt Service Coverage Ratio measurements for the 2011 Revenue Bonds and the Property Loan. At June 30, 2017, 2016, and 2015, Howard was compliant with the Liquidity Ratio measurement for the Multi-bank Credit Agreement. The Debt Service Coverage Ratio measurement requirement was removed for fiscal year 2015 for the Multi-bank Credit Agreement.

The 2011 Bond, 2016 Revenue Bonds and Revolving Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2017.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2016 Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	\$160 million

(d) **Scheduled Bond and Note Repayments**

The scheduled principal repayments of bonds and notes payable, including sinking fund requirements, are as follows:

Aggregate Annual Maturities	2017	2016	2015
2016	NA	NA	98,813
2017	NA	2,546	4,700
2018	\$ 10,966	\$ 10,966	\$ 10,966
2019	12,079	12,079	3,480
2020	14,148	14,148	5,135
2021	14,957	14,957	3,892
2022	15,786	15,786	5,847
2023 and thereafter	352,806	385,910	272,696
Subtotal	420,742	456,392	405,529
Bond premiums/(discounts)	(5,093)	(5,316)	(5,510)
Bond issuance costs	(4,683)	(4,937)	(4,563)
<b>Total</b>	<b>\$ 410,966</b>	<b>\$ 446,139</b>	<b>\$ 395,456</b>

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**Note 12 Retirement Plans**

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**Employee Retirement Plan** - Howard had a noncontributory defined benefit pension plan (the Plan) that was available to substantially all full-time employees. In accordance with government funding regulations, Howard's policy is to make annual contributions to the Plan at least equal to the minimum contribution. Based upon years of service and other factors, the Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. Effective July 1, 2010, the Plan no longer accrues benefits and is closed to new participants.

**Post-retirement Plan** - Howard provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. Howard pays a portion of the cost of such benefits depending on various factors, including employment start date, age, years of service and either the date of actual retirement or the retirement eligibility date of the participant. The post-retirement benefit plan is unfunded and has no plan assets.

During fiscal year 2017 there was a reduction to the life insurance benefits of future retirees for Howard plans which created a new prior service cost base of \$8,635 to be recognized starting in fiscal year 2018. Howard stopped including the value of fully-insured premium payments in both Employee contributions and Benefits paid from plan because the non-Class I post-65 retirees moved out of the

Howard plan into an exchange. This had no impact on net obligations or net payments from the plan.

During fiscal year 2016 there was a curtailment of the Hospital's plan due to a nearly 20% decrease in active participants in fiscal year 2015. This reduced the Accumulated Pension Benefit Obligation by \$2,600.

**Supplemental Retirement Plan** – Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is \$1,533, \$1,711 and \$1,704 at fiscal years ended June 30, 2017, 2016 and 2015, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of \$999, \$1,106 and \$1,024 at June 30, 2017, 2016 and 2015, respectively. The actuarial cost method and the assumption on discount rate used to determine the benefit obligation and net periodic cost in the actuarial valuation for the year ended June 30, 2017 are consistent with the method and assumptions used for the defined benefit pension plan.

**Savings Plan** – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. Effective July 1, 2011 Lincoln Financial has been replaced as a financial administrator by Voya Financial (formally ING Financial Advisors). These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the consolidated statements of activities were \$22,052, \$20,494 and \$22,502 for fiscal years ended June 30, 2017, 2016 and 2015, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2017, 2016 and 2015 were \$970,291, \$914,319 and \$929,126, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

Effective July 1, 2010, the Savings Plan was modified such that Howard will automatically, upon hire, contribute 6% of any eligible employee's base pay, regardless of tenure or election into the Savings Plan. Howard will contribute a matching contribution of up to 2% of employee elected self contributions.

Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the

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consolidated financial statements at fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

Retirement Benefits	Pension			Medical and Life Insurance			Supplemental		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Change in benefit obligation</b>									
Projected benefit obligation at beginning of year	\$ 701,879	\$ 669,090	\$ 659,234	\$ 67,608	\$ 63,438	\$ 71,302	\$ 1,711	\$ 1,704	\$ 1,710
Service Cost	-	-	-	588	479	507	-	-	-
Interest Cost	26,375	28,291	27,147	2,588	2,728	2,927	62	69	67
Actuarial (gain)/loss	(11,013)	40,972	17,285	(3,445)	5,279	(7,051)	4	182	171
Benefits paid	(37,680)	(36,474)	(34,576)	(4,676)	(10,833)	(11,970)	(244)	(244)	(244)
Medicare Part D subsidy	-	-	-	72	18	820	-	-	-
Employee contributions	-	-	-	895	7,281	6,903	-	-	-
Plan curtailments	-	-	-	-	(782)	-	-	-	-
Plan amendments	-	-	-	(8,635)	-	-	-	-	-
<b>Projected benefit obligation at end of period</b>	<b>\$ 679,561</b>	<b>\$ 701,879</b>	<b>\$ 669,090</b>	<b>\$ 54,995</b>	<b>\$ 67,608</b>	<b>\$ 63,438</b>	<b>\$ 1,533</b>	<b>\$ 1,711</b>	<b>\$ 1,704</b>
<b>Change in plan assets:</b>									
Fair value of plan assets at beginning of year	535,201	538,962	552,605	-	-	-	-	-	-
Actual return on plan assets	42,994	24,393	4,632	-	-	-	-	-	-
Employer contributions	-	8,320	16,301	3,709	3,534	4,247	-	-	-
Employee contributions	-	-	-	895	7,281	6,903	244	244	244
Medicare Part D subsidy	-	-	-	72	18	820	-	-	-
Benefits paid	(37,680)	(36,474)	(34,576)	(4,676)	(10,833)	(11,970)	(244)	(244)	(244)
<b>Fair value of plan assets at end of period</b>	<b>\$ 540,515</b>	<b>\$ 535,201</b>	<b>\$ 538,962</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ (139,046)</b>	<b>\$ (166,678)</b>	<b>\$ (130,128)</b>	<b>\$ (54,995)</b>	<b>\$ (67,608)</b>	<b>\$ (63,438)</b>	<b>\$ 1,533</b>	<b>\$ 1,711</b>	<b>\$ 1,704</b>

NA = Not Applicable

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at fiscal years ended June 30, 2017, 2016 and 2015:

Retirement Benefits	Pension			Medical and Life Insurance			Supplemental		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Recognized in Statement of Activities</b>									
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of prior service cost	100	100	100	-	-	-	-	-	-
Amortization of net actuarial loss	9,467	8,102	8,459	581	626	802	112	99	91
<b>Total amortization</b>	<b>\$ 9,567</b>	<b>\$ 8,202</b>	<b>\$ 8,559</b>	<b>\$ 581</b>	<b>\$ 626</b>	<b>\$ 802</b>	<b>\$ 112</b>	<b>\$ 99</b>	<b>\$ 91</b>
Service Cost	-	-	-	588	479	507	-	-	-
Interest Cost	26,375	28,291	27,147	2,588	2,728	2,927	62	69	67
Curtailment recognition of prior service credit	-	-	-	(11,825)	(15,342)	(12,785)	-	-	-
Expected return on plan assets	(30,821)	(32,337)	(27,834)	-	-	-	-	-	-
<b>Recognized in operating expenses</b>	<b>\$ 5,121</b>	<b>\$ 4,156</b>	<b>\$ 7,872</b>	<b>\$ (8,068)</b>	<b>\$ (11,509)</b>	<b>\$ (8,549)</b>	<b>\$ 174</b>	<b>\$ 168</b>	<b>\$ 158</b>
Amortization of transition obligation	-	-	-	-	-	-	-	-	-
Amortization of prior service cost	(100)	(100)	(100)	-	-	-	-	-	-
Amortization of net actuarial loss	(9,467)	(8,102)	(8,459)	(581)	(626)	(802)	(112)	(99)	(91)
<b>Total amortization</b>	<b>\$ (9,567)</b>	<b>\$ (8,202)</b>	<b>\$ (8,559)</b>	<b>\$ (581)</b>	<b>\$ (626)</b>	<b>\$ (802)</b>	<b>\$ (112)</b>	<b>\$ (99)</b>	<b>\$ (91)</b>
Net actuarial (gain) loss during the year	(23,187)	48,915	40,532	(2,509)	4,528	(6,453)	4	182	171
Curtailment recognition of prior service credit	-	-	-	11,825	15,342	12,785	-	-	-
New prior service cost arising during period	-	-	-	(8,635)	-	-	-	-	-
<b>Total recognized in other changes in unrestricted net assets</b>	<b>\$ (32,754)</b>	<b>\$ 40,713</b>	<b>\$ 31,973</b>	<b>\$ 100</b>	<b>\$ 19,244</b>	<b>\$ 5,530</b>	<b>\$ (108)</b>	<b>\$ 83</b>	<b>\$ 80</b>
<b>Total recognized in Statements of Activities</b>	<b>\$ (27,633)</b>	<b>\$ 44,869</b>	<b>\$ 39,845</b>	<b>\$ (7,968)</b>	<b>\$ 7,735</b>	<b>\$ (3,019)</b>	<b>\$ 66</b>	<b>\$ 251</b>	<b>\$ 238</b>

Amounts included in unrestricted net assets at fiscal years ended June 30, 2017, 2016 and 2015:

Retirement Benefits	Pension			Medical and Life Insurance		
	2017	2016	2015	2017	2016	2015
Net actuarial loss	\$ (268,089)	\$ (300,743)	\$ (259,931)	\$ (7,232)	\$ (10,322)	\$ (6,420)
Prior service cost	(2,400)	(2,500)	(2,600)	26,610	29,800	45,142
<b>Total</b>	<b>\$ (270,489)</b>	<b>\$ (303,243)</b>	<b>\$ (262,531)</b>	<b>\$ 19,378</b>	<b>\$ 19,478</b>	<b>\$ 38,722</b>

The estimated net actuarial loss, prior service cost, and transition obligation for the pension and post-retirement plans that were accounted for as a part of net periodic benefit cost over the next fiscal year are \$9,268, \$100 and \$0, respectively.

Contributions to the pension plan of \$0, \$8,320 and \$16,301, were made in fiscal years ended June 30, 2017, 2016, and 2015, respectively. Contributions of \$11,244 are expected to be paid to the pension plan during the fiscal year ended June 30, 2018.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2017, 2016 and 2015 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	2017	2016	2015	2017	2016	2015
Discount rate	4.05%	3.88%	4.36%	4.05%	3.96%	4.45%
Expected return on plan assets	7.00%	7.00%	7.00%	0.00%	0.00%	0.00%
Rate of compensation increase	-	-	-	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2017, 2016 and 2015 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	2017	2016	2015	2017	2016	2015
Discount rate	3.88%	4.36%	4.25%	3.96%	4.45%	4.29%
Expected return on plan assets	7.00%	7.00%	7.00%	0.00%	0.00%	0.00%
Rate of compensation increase						
To age 35	-	-	-	3.50%	3.50%	3.50%
Thereafter	-	-	-	3.50%	3.50%	3.50%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

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<b>Pension Plan Investments as of June 30, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pension Plan Investments</b>				
<b>Assets:</b>				
Money Market Instrument (1)	\$ -	\$ 6,121	\$ -	\$ 6,121
Common/Collective Trusts				
Emerging Market Equity (3)	-	13,184	-	13,184
International Equity-Developed (3)	-	97,236	-	97,236
Commodity Inflation Hedging (8)	-	10,590	-	10,590
Common Stock (3)	51,869	-	-	51,869
Fixed Income				
Mortgage Backed Securities (2)	-	4,488	-	4,488
Corporate Bond (2)	-	45,832	-	45,832
Government Bond (2)	87,410	-	-	87,410
Hedge Fund				
Equity Long/short (4)	-	5,773	-	5,773
Global opportunities (4)	-	7,786	-	7,786
Multi-strategy (4)	-	-	45	45
Mutual Fund				
Emerging Market Equity Security (3)	19,197	-	-	19,197
Domestic Common Stock (3)	35,611	-	-	35,611
Domestic Fixed Income (2)	103,504	-	-	103,504
Private Equity and Venture Capital (4)	-	-	67,921	67,921
Real Estate (4)	-	-	15,867	15,867
<b>Total assets</b>	<b>\$ 297,591</b>	<b>\$ 191,010</b>	<b>\$ 83,833</b>	<b>\$ 572,434</b>
<b>Liabilities:</b>				
Financial Derivatives – Option Contracts	\$ -	\$ 681	\$ -	\$ 681
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 681</b>	<b>\$ -</b>	<b>\$ 681</b>
<b>Total pension plan investments</b>	<b>\$ 297,591</b>	<b>\$ 191,691</b>	<b>\$ 83,833</b>	<b>\$ 573,115</b>
Operating asset not subjected to fair value reporting (9)	8,901	-	-	8,901
Operating liabilities not subjected to fair value reporting (9)	(41,501)	-	-	(41,501)
<b>Total plan assets</b>	<b>\$ 264,991</b>	<b>\$ 191,691</b>	<b>\$ 83,833</b>	<b>\$ 540,515</b>

Level 3 investments were 16% of total plan investments.

Refer to Note 5 – Fair Value Measurements for explanation of financial instrument classifications.

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Pension plan investments as of June 30, 2016 were as follows:

<b>Pension Plan Investments as of June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pension Plan Investments</b>				
<b>Assets:</b>				
Money Market Instrument (1)	\$ -	\$ 6,969	\$ -	\$ 6,969
Common/Collective Trusts				
Emerging Market Equity (3)	-	10,545	-	10,545
International Equity-Developed (3)	-	78,737	-	78,737
Domestic Common Stock (3)	-	20,717	-	20,717
Commodity Inflation Hedging (8)	-	11,185	-	11,185
Common Stock (3)	26,974	-	-	26,974
Fixed Income				
Mortgage Backed Securities (2)	-	10,468	-	10,468
Corporate Bond (2)	-	37,517	-	37,517
Government Bond (2)	81,691	-	-	81,691
Hedge Fund				
Equity Long/short (4)	-	5,525	-	5,525
Event driven (4)	-	(0)	-	(0)
Global opportunities (4)	-	7,173	-	7,173
Multi-strategy (4)	-	-	57	57
Mutual Fund				
Emerging Market Equity Security (3)	15,473	-	-	15,473
Domestic Common Stock (3)	32,177	-	-	32,177
Domestic Fixed Income (2)	122,828	-	-	122,828
Private Equity and Venture Capital (4)	-	-	71,620	71,620
Real Estate (4)	-	-	10,790	10,790
<b>Total assets</b>	<b>\$ 279,143</b>	<b>\$ 188,835</b>	<b>\$ 82,467</b>	<b>\$ 550,445</b>
<b>Liabilities:</b>				
Financial Derivatives – Option Contracts	\$ -	\$ (308)	\$ -	\$ (308)
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ (308)</b>	<b>\$ -</b>	<b>\$ (308)</b>
<b>Total pension plan investments</b>	<b>\$ 279,143</b>	<b>\$ 188,527</b>	<b>\$ 82,467</b>	<b>\$ 550,137</b>
Operating asset not subjected to fair value reporting (9)	21,467	-	-	21,467
Operating liabilities not subjected to fair value reporting (9)	(36,403)	-	-	(36,403)
<b>Total plan assets</b>	<b>\$ 264,206</b>	<b>\$ 188,527</b>	<b>\$ 82,467</b>	<b>\$ 535,201</b>

Level 3 investments were 15% of total plan investments.

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Pension plan investments as of June 30, 2015 were as follows:

<b>Pension Plan Investments as of June 30, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Pension Plan Investments</b>				
<b>Assets:</b>				
Money Market Instrument (1)	\$ 391	\$ 10,505	\$ -	\$ 10,896
Common/Collective Trusts				
Emerging Market Equity (3)	-	4,616	-	4,616
International Equity-Developed (3)	-	85,472	-	85,472
Domestic Common Stock (3)	-	22,056	-	22,056
Commodity Inflation Hedging (8)	-	13,274	-	13,274
Common Stock (3)	30,937	-	-	30,937
Fixed Income				
Mortgage Backed Securities (2)	-	6,938	-	6,938
Corporate Bond (2)	-	2,181	-	2,181
Government Bond (2)	64,809	-	-	64,809
Hedge Fund				
Distressed Debt (4)	-	2,769	-	2,769
Equity Long/short (4)	-	5,657	-	5,657
Event driven (4)	-	2,663	2,477	5,140
Global opportunities (4)	-	2,488	-	2,488
Multi-strategy (4)	-	-	2,578	2,578
Mutual Fund				
Emerging Market Equity Security (3)	18,169	-	-	18,169
Domestic Common Stock (3)	33,357	-	-	33,357
Domestic Fixed Income (2)	145,579	-	-	145,579
Limited Partnerships (4)	-	-	80,380	80,380
Real Estate (4)	-	-	11,720	11,720
<b>Total assets</b>	<b>\$ 293,242</b>	<b>\$ 158,619</b>	<b>\$ 97,155</b>	<b>\$ 549,016</b>
<b>Liabilities:</b>				
Financial Derivatives – Option Contracts	\$ -	\$ (63)	\$ -	\$ (63)
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ (63)</b>	<b>\$ -</b>	<b>\$ (63)</b>
<b>Total pension plan investments</b>	<b>\$ 293,242</b>	<b>\$ 158,556</b>	<b>\$ 97,155</b>	<b>\$ 548,953</b>
Operating asset not subjected to fair value reporting (9)	11,989	-	-	11,989
Operating liabilities not subjected to fair value reporting (9)	(21,980)	-	-	(21,980)
<b>Total plan assets</b>	<b>\$ 283,251</b>	<b>\$ 158,556</b>	<b>\$ 97,155</b>	<b>\$ 538,962</b>

Level 3 investments were 18% of total plan investments.



The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2017.

Changes in Level 3 for the period ended June 30, 2017	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2016	\$ 71,620	\$ 57	\$ 10,790	\$ 82,467
Gain and loss (realized and unrealized)	10,653	(12)	1,451	12,092
Purchases	5,331	-	8,031	13,362
Transfer out and sales	(19,683)	-	(4,405)	(24,088)
<b>Balance at June 30, 2017</b>	<b>\$ 67,921</b>	<b>\$ 45</b>	<b>\$ 15,867</b>	<b>\$ 83,833</b>
<b>Change in unrealized investments held</b>	<b>\$ 55</b>	<b>\$ (24)</b>	<b>\$ 435</b>	<b>\$ 466</b>

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2016.

Changes in Level 3 for the period ended June 30, 2016	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2015	\$ 80,380	\$ 5,055	\$ 11,720	\$ 97,155
Gain and loss (realized and unrealized)	4,546	(9)	(2,520)	2,018
Purchases	4,542	-	5,800	10,342
Transfer out and sales	(17,848)	(4,990)	(4,210)	(27,048)
<b>Balance at June 30, 2016</b>	<b>\$ 71,620</b>	<b>\$ 57</b>	<b>\$ 10,790</b>	<b>\$ 82,467</b>
<b>Change in unrealized investments held</b>	<b>\$ (5,553)</b>	<b>\$ (590)</b>	<b>\$ 1,072</b>	<b>\$ (5,070)</b>

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2015.

Changes in Level 3 for the period ended June 30, 2015	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2014	\$ 90,901	\$ 5,621	\$ 13,171	\$ 109,693
Gain and loss (realized and unrealized)	5,411	(566)	1,797	6,642
Purchases	6,977	-	605	7,582
Transfer out and sales	(22,909)	-	(3,853)	(26,762)
<b>Balance at June 30, 2015</b>	<b>\$ 80,380</b>	<b>\$ 5,055</b>	<b>\$ 11,720</b>	<b>\$ 97,155</b>
<b>Change in unrealized investments held</b>	<b>\$ (5,473)</b>	<b>\$ (566)</b>	<b>\$ 784</b>	<b>\$ (5,255)</b>

**Pension Plan Liquidity Terms and Unfunded Commitments** – The following tables represent Howard’s investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2017, 2016 and 2015. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investments as of June 30, 2017	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 13,621	\$ -	Monthly-Annually	45-90 days
Real estate funds	15,867	7,766	-	2-10 years
Common/collective trusts	121,028	-	Monthly	-
Limited partnerships	67,921	23,656	-	≤ 10 years

Investments as of June 30, 2016	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 12,755	\$ -	Monthly-Annually	45-90 days
Real estate funds	10,790	621	-	2-5 years
Common/collective trusts	121,202	-	Monthly	-
Limited partnerships	72,072	16,487	-	≤ 10 years

Investments as of June 30, 2015	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 18,632	\$ -	Monthly-Annually	45-90 days
Real estate funds	11,720	1,609	-	2-10 years
Common/collective trusts	125,418	-	Monthly	-
Limited partnerships	80,380	15,263	-	≤ 10 years

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories.

The actual allocation of the Plan for June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	2017	2016	2015	Allowable Range
Mid-Large Cap U.S. Equity	10.2%	8.8%	9.7%	10-20%
Small Cap U.S. Equity	2.6%	3.0%	3.3%	0-10%
International Equity - Developed	18.2%	14.7%	16.0%	10-20%
Private Equity/Venture Capital	11.7%	15.4%	16.3%	5-15%
Hedge Funds	2.5%	2.4%	3.5%	5-10%
Inflation Hedging	8.9%	5.4%	5.9%	10-15%
Emerging Markets Equity	6.1%	4.9%	4.3%	0-10%
U.S. Long Bonds	39.3%	44.7%	39.3%	25-35%
Cash and Cash Equivalents	0.5%	0.7%	1.7%	0-5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2017 is 6.69%. This growth rate was assumed to decrease gradually to 4.5% in 2038 and to remain at this level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years as follows:

Expected Future Benefit Payments	Pension Benefits	Post-retirement Benefits		
		Excluding Subsidy	Subsidy Payments	Net of Subsidy
Year ending June 30:				
2018	\$ 45,071	\$ 4,463	\$ 138	\$ 4,601
2019	45,526	4,366	135	4,501
2020	45,783	4,285	131	4,416
2021	45,572	4,166	125	4,291
2022	45,365	4,060	119	4,179
Years 2023-2027	217,295	18,416	495	18,911
<b>Total</b>	<b>\$ 444,612</b>	<b>\$ 39,756</b>	<b>\$ 1,143</b>	<b>\$ 40,899</b>

The mortality retirement rates base table used MRP-2007 (Actuary adaptation of the Society of Actuaries' RP2014 table).

If eligible, participants are assumed to retire according to the following schedule:

Retirement Age	Assumed Rate of Retirement
55 - 60	5%
61 - 63	12%
64	16%
65	25%
66 - 69	16%
70+	100%

**Note 13      Net Assets**

Temporarily restricted net assets consist of the following at June 30:

<b>Temporarily Restricted Net Assets</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Scholarships	\$ 54,494	\$ 48,910	\$ 52,050
Professorships	36,232	33,136	34,405
Student loans	1,987	1,721	1,405
Federal term endowment	132,739	119,145	124,883
General operations and other	40,483	33,441	38,176
<b>Total</b>	<b>\$ 265,935</b>	<b>\$ 236,353</b>	<b>\$ 250,919</b>

The Federal term endowment restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period. For fiscal years ended June 30, 2017, 2016 and 2015, the transfer amounts were \$11,985, \$7,701 and \$10,146, respectively.

Permanently restricted net assets are held in perpetuity and the income there from is only expendable for the noted purposes at June 30:

<b>Permanently Restricted Net Assets</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Scholarships	\$ 58,465	\$ 57,296	\$ 55,122
Professorships	25,783	24,713	24,431
Student loans	35,287	34,548	36,943
General operations and other	12,915	11,691	11,610
<b>Total</b>	<b>\$ 132,450</b>	<b>\$ 128,249</b>	<b>\$ 128,106</b>

Temporarily restricted net assets that were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

<b>Net Assets Released from Restrictions</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Federal term	\$ 11,985	\$ 7,701	\$ 10,146
Restrictions released based on purpose:			
Scholarships and fellowships	3,596	3,242	5,032
Professorships	1,522	711	463
Student loans	128	57	128
General operations and other	2,234	2,584	1,943
<b>Total</b>	<b>\$ 19,465</b>	<b>\$ 14,296</b>	<b>\$ 17,712</b>

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**Note 14      Estimated Third-Party Settlements**

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Certain services rendered by the Hospital are reimbursed by third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs.

Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2015-2017  
Medicaid 2015-2017

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase in net patient service revenues of approximately \$9,368, \$7,961 and \$8,764 for fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Third-party settlement revenue	2017	2016	2015
Medicare pass-through	\$ 11,091	\$ 9,990	\$ 8,644
Disproportionate Share Hospital	36,171	25,990	43,262
Graduate Medical Education	6,793	6,429	6,973
Other	9,647	4,228	(163)
<b>Total third-party settlement revenue</b>	<b>\$ 63,702</b>	<b>\$ 46,637</b>	<b>\$ 58,716</b>

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**Note 15      Operating Expenses**

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Howard presents its statements of activities by function. Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant including utilities, depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

Expenses were incurred for the following categories for the years ended June 30, 2017, 2016 and 2015:

Operating expenses (in thousands)	2017	2016	2015
Salaries and wages	\$ 333,842	\$ 347,750	\$ 365,126
Employee benefits other than retirement plans	72,857	61,419	78,451
Retirement plans excluding amortization	8,301	2,246	12,327
<b>Total employment expenses</b>	<b>415,000</b>	<b>411,415</b>	<b>455,904</b>
Telecommunications	9,305	8,114	9,987
Utilities	24,446	22,704	18,573
Medical and office supplies	29,574	30,293	38,737
Repairs and maintenance	25,033	23,651	28,267
Food service costs	16,179	15,875	14,694
Grant subcontracts	13,053	17,682	20,194
Insurance and risk management	27,389	22,032	28,179
Professional and administrative services	152,568	131,398	132,443
Provision for bad debts	223	9,349	9,483
<b>Total operating expenses exclusive of interest, depreciation and amortization expense</b>	<b>712,770</b>	<b>692,513</b>	<b>756,461</b>
Interest expense	21,618	25,133	24,730
Depreciation and amortization	50,154	44,883	51,596
Amortization of retirement plan actuarial losses	10,260	8,927	9,361
<b>Total operating expenses</b>	<b>\$ 794,802</b>	<b>\$ 771,456</b>	<b>\$ 842,148</b>

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**Note 16 Fundraising Expenses**

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For fiscal years ended June 30, 2017, 2016 and 2015, Howard incurred expenses of approximately \$6,386, \$4,691 and \$5,684, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying consolidated statements of activities within each respective expense category, as appropriate.

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**Note 17 Charity Care**

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The Hospital provides services to patients who meet the criteria of its charity care policy without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. In addition the Hospital provides services to patients under the District of Columbia charity care program, DC Alliance. The total of costs foregone for services furnished under the Hospital's charity care policy and the DC Alliance program were \$4,200, \$5,356 and \$5,194 for fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Total uncompensated care costs under all of Howard's clinical services which includes bad debt write offs as well as charity care, for fiscal years ended June 30, 2017, 2016 and 2015 were \$55,434, \$24,176 and \$42,133, respectively.

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**Note 18 Insurance and Risk Management**

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Howard, along with 16 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Through December 31, 2015, Pinnacle reinsured 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 16 other higher education institutions. Genesis reinsured general liability and automobile liability risks of its shareholders. On January 1, 2016, Genesis merged into Pinnacle. At June 30, 2016, Howard had an approximate 6% interest in Pinnacle. Howard's interest in Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

Howard is self-insured for initial layers of medical malpractice, worker's compensation, and employee health benefits. The reserves for self-insured risks are actuarially determined and Howard has set aside assets in revocable trusts to partially fund these self-insured risks.

The self-insured program covers professional liability costs up to \$7,500 per occurrence depending on the cause. In addition, there are two layers of excess insurance coverage. The first layer of the excess insurance coverage is up to \$35,000 on a claims-made basis. This layer is purchased through a captive insurance company, Howard University Capitol Insurance Company Ltd. (HUCIC), organized under the laws of the Cayman Islands. HUCIC covers prior acts retroactive to two separate policy periods dating July 1, 1996 and January 1, 1986, and is completely reinsured. The second layer of excess liability insurance which also covers patient care related general liability and professional liability, is up to \$50,000 on a claims-made basis. The second layer of excess coverage is provided by an independent excess insurance company.

The types of insurance and risk management coverages are detailed in the table below:

<b>Insurance and Risk Management</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Malpractice claims expense	\$ 6,081	\$ 5,176	\$ 13,667
Malpractice excess insurance	1,710	1,470	1,414
Student sickness	9,727	11,622	9,430
General and other	9,871	3,764	3,668
<b>Totals</b>	<b>\$ 27,389</b>	<b>\$ 22,032</b>	<b>\$ 28,179</b>

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**Note 19      Restructuring Costs**

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Restructuring costs represent non-recurring expenses required to facilitate management, faculty and staff changes resulting from Howard's various renewal initiatives. In fiscal years 2017, 2016, and 2015, Howard implemented a reduction-in-force to better align the number of administrative staff with expected needs and its financial capacity. Severance and other payments related thereto amounted to \$118, \$44 and \$10,502, respectively. Additionally, Howard implemented a Faculty Phased Retirement Program with incentive payments of \$19,816 payable between September 2012 and September 2017, which was accrued as of June 30, 2012. As of June 30, 2017, \$1,008 remains accrued, reflecting \$18,808 of cumulative payment activity.

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**Note 20      Concentration of Risks**

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Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institutions in excess of the applicable government insurance limits. The limit was \$250 per account as of June 30, 2017. Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount guaranteed by federal agencies, but Howard has not experienced any loss due to this risk. Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students. Financial instruments that potentially subject Howard to market risk consist primarily of investments. Howard attempts to mitigate this risk through its investment strategy.

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**Note 21      Commitments and Contingencies**

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(a)      ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b)      ***Litigation and Other Claims***

During the ordinary course of business, Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In fiscal years ended June 30, 2017, 2016



and 2015 Howard reserved \$1,600, \$1,735 and \$3,074, respectively for legal contingencies. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses upon ultimate resolution of these matters.

(c) ***Collective Bargaining Agreements***

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,800 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

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**Note 22      Related Party Transactions**

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(a) ***Howard University Charter Middle School***

The Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. The Middle School is a separate legal entity. For fiscal years ended June 30, 2017, 2016 and 2015, Howard has contributed to the Middle School as follows:

<b>Related Party Transactions</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash operating support	\$ 1,000	\$ 1,000	\$ 1,000
Facility leased (market value)	1,451	1,577	1,577
<b>Total</b>	<b>\$ 2,451</b>	<b>\$ 2,577</b>	<b>\$ 2,577</b>

(b) ***The Howard Dialysis Center***

Howard and American Renal Associates, LLC (ARA) have a joint venture agreement for the operation of the Howard University Dialysis Center LLC (LLC). The entity was formed on March 1, 2012. Howard and the LLC are parties to a non-compete agreement, and Howard jointly guarantees the LLC's debt agreements.

On March 1, 2012, the LLC commenced a lease with Howard for the current space, employees, and Medical Director associated with its Hospital outpatient dialysis services which will result in monthly rental income for Howard in addition to its proportionate share of earnings (losses) of the LLC.

As of fiscal years ending June 30, 2017, 2016 and 2015, the consolidated statements of financial position for the LLC are as follows:

Howard Dialysis Center, LLC Statements of Financial Position	2017	2016	2015
<b>Total Assets</b>	\$ 11,389	\$ 12,200	\$ 12,096
<b>Total Liabilities</b>	1,075	795	590
<b>Equity</b>			
Partner	5,586	6,911	7,837
Retained earning	4,729	4,493	3,669
<b>Total Equity</b>	\$ 10,315	\$ 11,404	\$ 11,506
<b>ARA interest</b>	\$ 5,261	\$ 5,816	\$ 5,868
<b>Howard interest</b>	\$ 5,054	\$ 5,588	\$ 5,638

(c) ***Provident Group – Howard Properties, LLC***

The University entered into a 40-year ground lease with Provident Group – Howard Properties, LLC and Provident Resources Group, Inc. ("Owner") in which the Owner will design, construct and furnish the College Hall North and South dormitory facilities ("dorms") for the benefit of the University. The Owner issued \$113,900 in revenue bonds through the District of Columbia to finance the construction of the dorms. The University and Owner entered into a management agreement such that the University will be responsible for managing, operating and maintaining the dorms in conjunction with general business. In general, revenues and expenses associated with the dorm are the responsibility of the Owner. The bonds will be repaid solely from revenues from the dorms. A management fee and ground lease payment will be paid to the University only upon the settlement of various expenses and if minimum cash requirements are made. Reimbursement of utilities expense will be subordinate to debt service. Ownership of the dorms will revert to Howard upon termination of the Ground Lease and full repayment of the debt. The University has not recorded any transactions related to potential future title to or ownership in the dorms for the year ended June 30, 2017.

(d) ***Barnes & Noble College Booksellers, LLC***

The University engaged Barnes & Noble College Booksellers, LLC to manage and operate its bookstore. The relationship is for the period of April 1, 2014 through March 31, 2019 with an option to renew for an additional five two-year periods, subject to mutual agreement.

(e) ***Campus Apartments***

In August 2014, The University entered into a subcontractor agreement with Campus Apartments to perform all management responsibilities relating to the newly constructed Student Dormitory Facilities that were completed and placed into service in August 2014.

(f) ***Paladin Healthcare***

Howard signed a Management Service Agreement (MSA) with Paladin Healthcare. Effective October 6, 2014, Paladin Healthcare assumed responsibility for day-to-day operations of the Hospital under the oversight of a joint Howard and Paladin Healthcare Management Committee. Under the MSA, Howard will continue to be the licensed operator of the Hospital.

(g) ***Corvias Campus Living – HU, LLC***

In January, 2017, the University, Howard Dormitory Holdings 1, LLC, a wholly-owned subsidiary of Howard University and Corvias Campus Living – HU, LLC entered into a 40 year term service concession agreement. Under this agreement, Corvias Campus Living – HU, LLC will handle the financing, design, engineering, renovation, management, operation, maintenance, and repair of the East Tower, the West Tower, Drew Hall and Cook Hall. The University and Howard SPE pledged all revenues from these properties to Corvias Campus Living.

(1) ***Residence Life Service Provider*** – In January 2017, as part of the aforementioned service concession agreement, Corvias Campus Living – HU, LLC entered into a 40 year term Residence Life Management Agreement with Corvias Campus Management, Inc., an independent contractor, to manage on its behalf, any and all of the residence life duties and responsibilities relating to the East Tower, the West Tower, Drew Hall and Cook Hall. In compensation for the performance of its duties under this Agreement, the Residence Life Service Provider will be paid the Residence Life Management Fee as set forth in Section 6.3 of the Service Concession Agreement escalating by three percent (3%) per annum on the first day of each Fiscal Year of the Term.

(2) ***Renovation of Howard Plaza Towers*** – In January 2017, as part of the aforementioned service concession agreement, Corvias Campus Living – HU, LLC, entered into a construction contract with Gilbane Building Company for the renovation of the East Tower and the West Tower.

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**Note 23**

**Subsequent Events**

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In August 2017, the University (Lessor) entered into a ninety-nine (99) year Ground Lease related to land under the Carver Hall dormitory with 211 Elm Street, LLC (Lessee) for the conversion of the dormitory into a rental apartment building with supporting indoor amenity spaces and enhanced outdoor amenity spaces. The lessee prepaid all Ground Rent for the ninety-nine (99) year term of the Ground Lease. If, over the term of the Ground Lease there is a substantial change in use of the Property, the parties will negotiate a reset of the lease based on the

incremental value derived from the new project. The lessee will assume all risks associated with zoning, historic preservation and other regulatory approvals.

In August 2017, the University (Lessor) entered into a ninety-nine (99) year Ground Lease related to land under the Slowe Hall Dormitory with 1919 3<sup>rd</sup> Street, LLC (Lessee) for the conversion of the dormitory into a rental apartment building with supporting indoor amenity spaces and enhanced outdoor amenity spaces. The lessee prepaid all Ground Rent for the ninety-nine (99) year term of the Ground Lease. If, over the term of the Ground Lease there is a substantial change in use of the Property, the parties will negotiate a reset of the lease based on the incremental value derived from the new project. The lessee will assume all risks associated with zoning, historic preservation and other regulatory approvals.

In August, 2017, the University (Lessor) entered into a ninety-nine (99) year Ground Lease with JBG Associates, LLC (Lessee) for the conversion of certain land located at the intersection of 9<sup>th</sup> and V Streets, NW, in the District of Columbia, along with certain other related personal property into rental housing. The lessee prepaid all Ground Rent for the ninety-nine (99) year term of the Ground Lease. These properties are currently subject to the Howard University Campus Plan (CMP). The University, at its expense will work with the Zoning Commission of the District of Columbia to have these properties removed from the CMP. The University, at its expense will also work with the Zoning Commission of the District of Columbia to have these properties subdivided as a “single lot of record” and use commercially reasonable efforts to enter into with the applicable Governmental Authorities a Combined Lot Development Covenant (CLD). The Lessee, as part of the agreement, will meet certain mission-oriented objectives of the University during the construction and renting of the units.

Howard performed an evaluation of subsequent events through November 21, 2017, which is the date the financial statements were available to be issued, noting no additional events which affect the consolidated financial statements as of June 30, 2017.

Reports and Schedules Required by *Government Auditing  
Standards* and Uniform Guidance

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
The Howard University  
Washington, DC

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Howard University (the "University") which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 21, 2017.

### **Internal Control Over Financial Reporting**

In connection with our engagement to audit the consolidated financial statements of the University, we considered University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of University's internal control. Accordingly, we do not express an opinion on the effectiveness of University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2017-001 through 2017-004 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as item 2017-005 through 2017-008 in the accompanying schedule of findings and questioned costs to be significant deficiencies.



### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **University's Response to Findings**

The University's response to the findings identified in our engagement is described in the accompanying management's corrective action plan. The University's response was not subjected to the auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

November 21, 2017



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Washington, DC 20001

## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees  
The Howard University  
Washington, DC

### **Report on Compliance for Each Major Federal Program**

We have audited The Howard University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.





### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-009 through 2017-024. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to our auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-009, 2017-010, 2017-012, 2017-014, 2017-019, 2017-020 and 2017-021 that we consider to be a significant deficiencies.



The University's response to the internal control over compliance findings identified in our audit are described in the accompanying management's *corrective* action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BDO USA, LLP*

March 30, 2018

**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<b><u>ANNUAL APPROPRIATION</u></b>				
DEPARTMENT OF EDUCATION				
Annual Appropriation	84.915A		221,820,750	\$ -
<b>TOTAL ANNUAL APPROPRIATION</b>			<b>221,820,750</b>	<b>-</b>
<b><u>FEDERAL ENDOWMENTS</u></b>				
DEPARTMENT OF JUSTICE				
Constitutional Law Chair Endowment	16.000		5,700,295	-
<b>SUBTOTAL FOR THE DEPARTMENT OF JUSTICE</b>			<b>5,700,295</b>	<b>-</b>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Excellence in Health Professional Education Endowment	93.375		4,536,071	-
<b>SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>4,536,071</b>	<b>-</b>
DEPARTMENT OF EDUCATION				
Matching Endowment	84.000		138,250,765	-
Law School Clinical Endowment	84.998D		10,589,472	-
<b>SUBTOTAL FOR THE DEPARTMENT OF EDUCATION</b>			<b>148,840,237</b>	<b>-</b>
<b>TOTAL FEDERAL ENDOWMENTS</b>			<b>159,076,603</b>	<b>-</b>
<b><u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u></b>				
DEPARTMENT OF EDUCATION				
Federal Supplemental Educational Opportunity Grants	84.007		914,032	-
Federal Work Study	84.033		1,148,561	-
Federal Perkins Loan (FPL) Federal Capital Contribution	84.038		335,178	-
Federal Pell Grant Program	84.063		12,728,537	-
Federal Direct Loans	84.268		177,529,374	-
Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379		10,197	-
<b>SUBTOTAL FOR THE DEPARTMENT OF EDUCATION</b>			<b>192,665,879</b>	<b>-</b>

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Scholarship for Disadvantaged Students	93.925		1,212,500	-
Primary Care Loans for Disadvantaged Students	93.342		74,800	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,287,300	-
TOTAL FOR THE STUDENT FINANCIAL ASSISTANCE CLUSTER			193,953,179	-
<u>TRIO CLUSTER</u>				
Office of Postsecondary Education				
Upward Bound Program	84.047A		431,631	-
Upward Bound Program	84.047M		237,965	-
Subtotal for the Office of Postsecondary Education			669,596	-
TOTAL FOR THE TRIO CLUSTER			669,596	-
<u>RESEARCH AND DEVELOPMENT CLUSTER</u>				
<i>Direct Research and Development Awards</i>				
DEPARTMENT OF COMMERCE				
National Oceanic and Atmospheric Administration				
NOAA Center for Atmospheric Sciences at Howard University	11.481		1,533,414	466,930
NOAA Cooperative Sciece Center in Atmospheric Sciences and meteorology at Howard University	11.481		925,881	153,281
Subtotal for the National Oceanic and Atmospheric Administration			2,459,295	620,211
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			2,459,295	620,211
US Army Medical Command				
Diverting the Pathway to Substance Misuse by Improving Sleep	12.420		155,693	-
Subtotal for the US Army Medical Command			155,693	-
DEPARTMENT OF DEFENSE				
US Army Material Command				
Extracting Social Meaning From Linguistic Structures in African Languages	12.431		410,547	-
Bio-inspired structured Graphical Models for Inference and Information Fusion	12.431		40,950	37,830
Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection	12.431		101,977	44,793
Fast Chemical Dynamics of Energetic Materials at High Pressures and Temperatures Studied by Ultrafast Laser Techniques	12.431		80,065	-
			633,539	82,623

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Improving Cloud and Aerosol Treatment in Modtran	12.630		32,714	-
Optimizing the Dynamic Response of Ultrafine Grain and Hybrid Alloys under Impact Loading	12.630		189,002	-
Acquisition of Terahertz Spectrometer for Research and Education at Howard University	12.630		308,100	-
Army Educational Outreach Program	12.630		21,931	-
			<u>551,747</u>	<u>-</u>
Atomic Layered Two Dimensional Material-based Metasurfaces for Terahertz Modulators	12.800		120,211	-
The Effect of Multi-Mode Induced Transition in a Hypersonic Boundary Layers	12.800		107,911	-
			<u>228,122</u>	<u>-</u>
Subtotal for the US Army Material Command			<u>1,413,408</u>	<u>82,623</u>
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			<u>1,569,101</u>	<u>82,623</u>
DEPARTMENT OF THE INTERIOR				
Hawaiian Land Snails Extinction Prevention	15.657		14,589	4,948
CESU Network National Office Minority Fellowship - Geodatabase, Policy Analysis, Multi-Scale Assessment	15.904		20	-
Contemporary Recreational Use Study at Median Hill park and the Parklands	15.945		22,950	-
Caroline County Underground Railroad Research Project	15.945		3,417	-
Diversity Research in Coordination with the Healthy Parks Healthy People Program	15.945		7,720	-
			<u>34,087</u>	<u>-</u>
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			<u>48,696</u>	<u>4,948</u>
DEPARTMENT OF JUSTICE				
Domestic Violence Homicide Prevention TA Initiative	16.526		92,914	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>92,914</u>	<u>-</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Sheshat: A Digital Humanities Initiative in Literature, Language and Criticism	45.162		59,079	-
Portal to the Black Expectance	45.312		6,800	-
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>65,879</u>	<u>-</u>

**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<b>NATIONAL SCIENCE FOUNDATION</b>				
Engineering Grants				
Workshop: Sustainable Energy	47.041		21,807	716
I-Corps Sites : Howard University	47.041		58,432	-
MRI: Development of Testbed Platform for Advanced Multi-Stage Automation and Control for Smart and Micro Grid	47.041		425,491	-
CAREER: Passive Seismic Protective Systems for Nonstructural System and Components in Multistory Building	47.041		62,686	-
Collaborative Research: PSERC: Collaborative Proposal for Phase III Industry University Cooperative Research Center Program	47.041		39,325	-
A Pre-College for Engineering Systems (PCES) Outreach Program	47.041		35,771	-
Subtotal for the Engineering Grants			<b>643,512</b>	<b>716</b>
<b>Mathematical and Physical Sciences</b>				
Ramsey Theory: Central Sets and Related Combinatorially Rich Sets	47.049		35,699	-
REU Site in Physics at Howard University	47.049		25,883	-
School and Workshop on Geometry Discrete Actions - ICTP	47.049		8,650	-
Partnership for Reduced Dimensional Materials	47.049		183,990	29,767
REU Site in Physics at Howard University	47.049		39,119	-
Permutation patterns 2016	47.049		18,151	-
FRG: Collaborative Research : Developing Mathematical Algorithms for Adoptive, Geodisc Mash MHD for use in Astrophysics and Space Physics	47.049		1,105	-
Subtotal for the Mathematical and Physical Sciences			<b>312,597</b>	<b>29,767</b>
<b>Geosciences</b>				
EAGER: Evolutionary History and Paleoecology of the Last Old World Hyperion Super lineage	47.050		2,280	-
Subtotal for the Geosciences			<b>2,280</b>	<b>-</b>
<b>Computer and Information Science and Engineering</b>				
Computing and Intersectionality: an Inclusive Agenda for Computing	47.070		43,038	-
Compsustnet: Expanding the Horizons of Computational Sustainability	47.070		36,485	-
Follow-up Workshop: Theme Validation Computing and Intersectionality ( The Social and Behavioral Structures at Play for Black women in the Computing Sciences) : An Inclusive Agenda	47.070		26,058	-
CAREER: leveraging Wireless Virtualication for Enhancing Network Capacity, Coverage, Energy Efficiency and Security	47.070		8,188	-
GIRLS ROCK TECH: Integrating Computer Science Education into a National Drills Empowerment Program	47.070		3,518	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Collaborative Research: II-NEW: RUI: ROAR - A Research Infrastructure for Real-time Opportunistic Spectrum Access in Cloud based Cognitive Radio Networks	47.070		5,500	-
CPS: Breakthrough: Collaborative Research: Track and Fallback: Intrusion Detection to Counteract Carjack Hacks with Fail- Operational Feedback	47.070		48,986	-
CS 10K: The Partnership for Early Engagement in Computer Sciences High School Program	47.070		126,915	-
Subtotal for the Computer and Information Science and Engineering			<b>298,688</b>	-
Biological Sciences				
Cannabinoid Signaling in olfactory Glomeruli	47.074		46,365	39,000
URM: Howard University Environment Biology Scholars	47.074		24,924	-
Collaborative Research: Digitization TCN: The Mid-Atlantic megalopolis: Achieving a Greater Scientific Understanding of Our Urban World	47.074		7,924	-
Subtotal for the Biological Sciences			<b>79,213</b>	<b>39,000</b>
Social, Behavioral, and Economic Sciences				
SBES Alliance Collaborative Research: Atlantic Coast	47.075		10,438	-
A Multidisciplinary Network Analysis of Musculoskeletal Complexity, Integration, Modularity, and Evolvability of the Primate Head and Limbs	47.075		61,397	5,385
Collaborative Research: Stereotype Validation and Intellectual Performance	47.075		37,900	-
Collaborative Research: Skeletal Muscle constraint on relative brain size	47.075		4,273	-
Subtotal for the Social, Behavioral, and Economic Sciences			<b>114,008</b>	<b>5,385</b>
Education and Human Resources				
Howard University Science Teacher Certification Program (HU-STCP)	47.076		48,817	-
Chemistry, Mathematics, and Physics Scholarships (CMaPS) at Howard University	47.076		180,169	-
Targeted Infusion Project: An Innovative Approach to Improving Undergraduate Student Performance in Computer Science at Howard University	47.076		180,898	-
Experimental Centric Based Engineering Curriculum for HBCUs	47.076		469,824	391,501
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers	47.076		559,932	-
Multiple Consciousnesses: Investigating the Identities (Academic, Gender, Race and Disability) of Black Women Undergraduate Students in STEM and Their Impact on Persistence	47.076		147,017	-
Targeted Infusion Project: Integrating Innovation in Engineering Design	47.076		106,982	-
E-Communities: Investigating how a collaboration between STEM educators and engineers impact underserved youth's participation in engineering design	47.076		128,530	67,510
2015 - 2020 Washington Baltimore Hampton Roads (WBHR) Louis Stokes Alliances for Minority Participation Program	47.076		659,311	194,258
Collaborative Proposal: Pathways of Blacks and Hispanics in Engineering Education	47.076		55,709	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Women of Color Faculty in Stem as Change Agents	47.076		11,899	-
Women of Color Faculty in Stem as Change Agents	47.076		14,159	-
Women of Color Faculty in Stem as Change Agents	47.076		8,538	-
Women of Color Faculty in Stem as Change Agents	47.076		2,960	-
Women of Color Faculty in Stem as Change Agents	47.076		4,867	-
Women of Color Faculty in Stem as Change Agents	47.076		14,800	-
HU Advance IT: Women of Color Faculty in STEM as Change Agents	47.076		223	-
Research Initiation Award : A Model plant Group to Study the Evolution of Diverse Reproductive Systems	47.076		52,145	-
Enhancing Participation Research Project: Minority Status and Stereotypes: : The Benefits and Consequences as they related to STEM Participation and Success at an HBCU	47.076		188,951	-
Research Initiation Award- Basic Mechanism of DNA Assembly into Nano- Shells	47.076		71,172	-
Collaborative Research: Developing and Assessing Effective Cyber learning within the STEMWiki Hyperlibrary	47.076		20,031	-
Planning Grant for the Howard University Institute of Psychological Science Excellence in STEM Workforce Development and Education of Women and Girls	47.076		22,755	-
Enhancement of the Undergraduate Physics Program in the Department of Physics and Astronomy at Howard University	47.076		68,649	-
Building Connections and Learning Communities among Educators and Researchers at HBCUs	47.076		158,826	-
I-Corps L: Scaling Up STEM Equity Audits	47.076		21,285	-
Research Initiative Award : Mathematical Modeling On The Geometric Optics Problem of Refraction	47.076		17,690	-
ACE Implementation Grant: STEM Global Undergraduate Research Initiative	47.076		307,021	-
Subtotal for the Education and Human Resources			3,523,160	653,269
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			4,973,458	728,137
NUCLEAR REGULATORY COMMISSION				
HU Critical Mass Project: Increasing the Number of African Americans Receiving Doctoral Degrees In Nuclear Physics	77.007		39,200	-
SUBTOTAL FOR THE NUCLEAR REGULATORY COMMISSION			39,200	-
DEPARTMENT OF ENERGY				
Utilization of Renewable Energy to Meet New National Challenges in Energy and Climate Change	81.087		9,105	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			9,105	-
DEPARTMENT OF EDUCATION				
National Resource Centers	84.015A		152,928	-
National Resource Centers	84.015A		161	-
Foreign Language and Area Studies Fellowships	84.015B		272,685	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			425,774	-



**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
High Strength Bioresorbable Polyactide/Calcium Phosphate Composites	93.121		184,836	46,237
Humanized EGFR and EGFRvII-bispecific Immunotoxin for HNSCC Therapy	93.121		78,758	-
Howard University Summer Research Experience Program in Oral Health Disparity for Underrepresented Radical and Ethnic Students	93.121		17,594	-
			<u>281,188</u>	<u>46,237</u>
Howard University NWDP Project	93.137		151,033	-
Howard University NWDP Project	93.137		383,345	19,871
			<u>534,378</u>	<u>19,871</u>
Howard University Substance Abuse and HIV Prevention Outreach Program (SHOP)	93.243		44,228	-
Howard University Substance Abuse and HIV Prevention Outreach Program (HU SHOP II)	93.243		143,599	-
Howard University SBIRT Medical Professional Program	93.243		87,315	45,132
Howard University SBIRT Medical Professional Program	93.243		149,212	24,451
Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals	93.243		131,192	-
Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals	93.243		21,206	-
			<u>576,752</u>	<u>69,583</u>
Ward 1 Drug Free Coalition	93.276		69,065	-
Is there a Generic for that? A Pilot Study assessing and Addressing the underutilization of generic medications in underserved patients	93.HHS		2,100	-
An Examination of the Role of Advertising and Promotional Labeling in Adult Immunization Disparities	93.HHS		24,444	-
			<u>26,544</u>	<u>-</u>
National Institutes of Health				
<i>Mental Health Research Grants</i>				
Using Olfactory Epithelial Tissue to Define Molecular Mediators of Lithium Action	93.242		137,973	-
Mechanisms of Pediatric HIV Neurological Impairment	93.242		22,347	-
REU Site in Physics at Howard University	93.242		4,723	-
<i>Subtotal for the Mental Health Research Grants</i>			<u>165,043</u>	<u>-</u>
<i>Alcohol Research Programs</i>				
Novel Interventions in Alcohol Induced Depression	93.273		63,947	-
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression	93.273		347,136	143,555
<i>Subtotal for the Alcohol Research Programs</i>			<u>411,083</u>	<u>143,555</u>

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Drug Abuse and Addiction Research Programs				
Using Implementation Science for Community- Based SBIRT Delivery to Older Adults	93.279		129,623	-
The Role of Orexin in the Co-Occurrence of Binge Eating and Drug Addiction	93.279		25,339	-
Subtotal for the Drug Abuse and Addiction Research Programs			154,962	-
National Institute on Minority Health and Health Disparities				
Washington DC-Baltimore Research Center on Child Health Disparities	93.307		1,334,118	876,791
Biomedical Infrastructure for Health Disparities Research	93.307		221,243	-
Biomedical Infrastructure for Health Disparities Research	93.307		3,578	-
Biomedical Infrastructure for Health Disparities Research	93.307		32,907	-
Biomedical Infrastructure for Health Disparities Research	93.307		478,984	-
Biomedical Infrastructure for Health Disparities Research	93.307		421,915	-
Biomedical Infrastructure for Health Disparities Research	93.307		199,406	-
Biomedical Infrastructure for Health Disparities Research	93.307		9,327	-
Biomedical Infrastructure for Health Disparities Research	93.307		52,068	-
Biomedical Infrastructure for Health Disparities Research	93.307		222	-
Biomedical Infrastructure for Health Disparities Research	93.307		19,051	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults	93.307		271,630	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults	93.307		17,608	-
International Conference on Stigma	93.307		4,590	-
Health Disparities Research through International Exchange	93.307		219,486	-
Biomedical Infrastructure for Health Disparities Research	93.307		486,920	-
Subtotal for the National Institute on Minority Health and Health Disparities			3,773,053	876,791
National Cancer Institute				
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies	93.393		21,107	-
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies	93.393		78,605	-
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies	93.393		15,089	-
Genetic Signatures Underlying Prostate Cancer Metastasis in African Americans	93.393		107,961	-
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies	93.393		1,028	-
Subtotal for the National Cancer Institute			223,790	-
Cardiovascular Diseases Research				
Stress, Sleep and Cardiovascular Risk	93.837		263	-
Subtotal for the Cardiovascular Diseases Research			263	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<i>National Heart, Lung, and Blood Institute</i>				
Center for Hemoglobin Research in Minorities (CHaRM)	93.839		992,610	36,522
Inhibition of HIV-1 in Sickle Cell Disease	93.839		43,732	-
Inhibition of HIV-1 in Sickle Cell Disease	93.839		303,620	-
<i>Subtotal for the National Heart, Lung, and Blood Institute</i>			<u>1,339,962</u>	<u>36,522</u>
<i>National Institute of Arthritis and Musculoskeletal and Skin Diseases</i>				
Targeting Accessory Proteins of Alpha2C Adrenergic Receptor in Raynaud Phenomenon	93.846		67,577	-
<i>Subtotal for the National Institute of Arthritis and Musculoskeletal and Skin Diseases</i>			<u>67,577</u>	<u>-</u>
<i>National Institute of Diabetes and Digestive and Kidney Diseases</i>				
Improving Attendance to Outpatient Endoscopy Appointments Among Blacks	93.847		88,574	-
<i>Subtotal for the National Institute of Diabetes and Digestive and Kidney Diseases</i>			<u>88,574</u>	<u>-</u>
<i>Allergy and Infectious Diseases Research</i>				
Effective Replicating Adenovirus- HIV Vaccines	93.855		240,980	-
Therapeutics Targeting Filoviral Interferon - Antagonist and Replication Functions	93.855		284,407	-
<i>Subtotal for the Allergy and Infectious Diseases Research</i>			<u>525,387</u>	<u>-</u>
<i>Biomedical Research and Research Training</i>				
Molecular Analyses of RECQ1 Functions in Genome Maintenance	93.859		93,292	-
NsrR regulation of the small noncoding RNA RybB in Escherichia coli	93.859		77,068	-
Crosstalk and the Cytoskeleton in Dendritic Cell Antigen Presentation	93.859		114,221	-
Molecular Analysis of RECQ1 Functions in Genome Maintenance	93.859		201,176	-
HU MARC USTAR Program	93.859		77,251	-
HU MARC USTAR Program	93.859		30,147	-
Novel Nanotechnology Platform for Breast Cancer Treatment	93.859		269,108	-
<i>Subtotal for the Biomedical Research and Research Training</i>			<u>862,263</u>	<u>-</u>
<i>National Institute of Aging</i>				
Advancing Aging Research Through Development of Minority Gerontologists	93.866		343,086	-
APOE genotype and sex dependent effects of 17 -alpha-estradiol and AD pathology	93.866		41,253	-
Genes, Exercise, Neurocognitive and Neurodegeneration: Community-Based Approach	93.866		405,671	-
Dopamine-Mediated Regulation of Blood Pressure in Aging: Role of NHERF-1	93.866		193,234	-
<i>Subtotal for the National Institute of Aging</i>			<u>983,244</u>	<u>-</u>

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<i>Eunice Kennedy Shriver national Institute of Child Health &amp; Human Development</i>				
Defining the Novel Role for the RNA Binding Protein ETR-1 in C Elegans Gametogenesis	93.865		81,461	-
<i>Subtotal for the Eunice Kennedy Shriver national Institute of Child Health &amp; Human Development</i>			<u>81,461</u>	<u>-</u>
Subtotal for National Institutes of Health			8,676,662	1,056,868
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>10,164,589</u>	<u>1,192,559</u>
DEPARTMENT OF HOMELAND SECURITY				
The Graduating Engineers in the U.S. (GENIUS) Research Program: Infusing DHS Research into Undergraduate Education at Howard University	97.062		54,236	-
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			<u>54,236</u>	<u>-</u>
<i>Subtotal for the Direct Research and Development Awards</i>			<u>19,902,247</u>	<u>2,628,478</u>
<i>Pass-Through Research and Development Awards</i>				
DEPARTMENT OF DEFENSE				
Logical Vanishability through Hybrid STTLUT Technology to Prevent Reverse Engineering (George Mason University)	12.000	FA8650-15-C-7569	2,555	-
Tailoring the Properties of Stimuli Responsive Nanocomposite Hydrogels for Potential Use in Wound Healing and Prevention of Antimicrobial Infection (Massachusetts Institute of Technology)	12.431	5710004062	14,886	-
Roswell Park/Howard University Prostate Cancer Scholars Program (Health Research Inc)	12.420	145-01	3,587	-
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			<u>21,028</u>	<u>-</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
National space Grant College and Fellowship Program (SPACE Grant) Training Grant 2015-2018 (American University)	43.008	31377-HU-16	17,370	-
DC Space Grant Consortium (American University)	43.001	1154-Howard University-11	72,794	-
Subtotal for the Science			<u>90,164</u>	<u>-</u>
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>90,164</u>	<u>-</u>
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	47.041	EEC-0812056	33,022	-
Subtotal for the Engineering Grants			<u>33,022</u>	<u>-</u>

**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Mathematical and Physical Sciences				
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	457,470	56,194
Center for Integrated Quantum Materials (Harvard University)	47.049	123826-5056261	27,377	-
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	52,663	-
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	24,788	-
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	47,109	-
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	29,973	-
Center for Integrated Quantum Materials (Harvard University)	47.049	123826- 5056261	14,653	-
Subtotal for the Mathematical and Physical Sciences			<u>654,033</u>	<u>56,194</u>
Computer and Information Science and Engineering				
Emerging Frontiers of the Science of Information (Purdue University)	47.070	0939370-CCF	67,526	-
Subtotal for the Computer and Information Science and Engineering			<u>67,526</u>	<u>-</u>
Biological Sciences				
Center for the Environmental Implications of Nanotechnology (Duke University)	47.074	14-NSF-1050	29,908	-
CSBR: Natural History Collections: Housing, Databasing, Digitizing and Accessibility Upgrades to the Largest Pacific Island Land Snail Collection (Bishop Museum)	47.074	250701-HU01	12,460	-
Subtotal for the Biological Sciences			<u>42,368</u>	<u>-</u>
Education and Human Resources				
Program to Integrate Mobile, Hands-on Experiments into the ME, AE, and ECE Curricula (Georgia Institute of Technology)	47.076	RH386-G1	5,173	-
The CIRTl Network: 25 Research Universities Preparing a National Faculty to Advance STEM Undergraduate Learning (University of Wisconsin)	47.076	530K471	51,801	-
Preparing Students for Writing in Civil Engineering Practice Research - based Materials Development and Assessment (Portland State University)	47.076	203CON405	2,599	-
A National Model for Engineering Mathematics Education (Wright State University)	47.076	P0029309	8,200	-
Subtotal for the Education and Human Resources			<u>67,773</u>	<u>-</u>
Polar Programs				
Collaborative Research Continued Research on the Jurassic Vertebrate Fauna from the Beardmore Glacier Region of Antarctica (Field Museum of Natural History)	47.078	50119-1-FDP	101	-
Subtotal for the Polar Programs			<u>101</u>	<u>-</u>

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
Office of International Science and Engineering				
Bio Recognizable Multifunctional Polymeric Nanoparticles for Combination Cancer Therapy (South Ural State University)	47.079	OISE-9531011	6,024	-
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	47.079	15-65	22,194	-
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	47.079	15-65	61,469	-
Subtotal for the Office of International Science and Engineering			89,687	-
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			954,510	56,194
DEPARTMENT OF ENERGY				
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	81.000	19067-S1	66,120	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			66,120	-
DEPARTMENT OF EDUCATION				
Mathematics and Science Partnerships (District of Colombia - State Education Office)	84.366B	52366B	65,784	-
Teacher-Leaders to Support All Students (National Writing Project)	84.367D	95-DC01-SEED2017-CRWPAI	4,518	-
Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher-Leaders to Support All Students (National Writing Project)	84.367D	95-DC01-SEED2017-ILI	4,067	-
2014-2016 SEED Teacher Leadership Development Grant (University California)	84.367D	95-DC01-SEED2012 1A	5,904	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			80,273	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Prepare DC- Pharmacists Promoting Community Resilience (National Association of County & City Health)	93.008	MRC16- 2614	13,122	-
National Center for MCH Workforce Development (University of North Carolina)	93.110	5102024	3,460	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0050178(126702-1)	1,262	-
Poverty Research Center(University of Wisconsin)	93.239	708K326	65,968	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	93.361	JHU PO-2002376518	39,846	-
Prevention at Home: A Model for Novel Use of Mobile Technologies and Integrated Care Systems to Improve HIV Prevention and Care While Lowering Cost (George Washington University)	93.610	1C1MS331343-02-00	52,396	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
National Institutes of Health				
Biomarker and Safety Study of Clozapine in Benign Ethnic Neutropenia (University of Maryland)	93.242	1R01MH102215-01A1	56,105	-
JHU - UMD Diabetes Research Center (John Hopkins University)	93.847	5P30DK079637-08	11,866	-
JHU - UMD Diabetes Research Center (John Hopkins University)	93.847	SOM-PO-2002462531	50,993	-
			62,859	-
Functional Inhibitor of RACK1A Protein Potentially Regulates IRES Mediated Virus Translation: A Targer for HIV-1 Proliferation Inhibition (George Washington University)	93.856	M-0025R	33,316	-
<i>Subtotal for the National Institutes of Health</i>			152,280	-
<i>National Center for Advancing Translational Sciences</i>				
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411852_GR411428-HU-RIP	707,478	15,571
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411858_GR411431-HU-KL2	200,448	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411850_GR411426-HU-TSB	241,876	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411851_GR411427-HU-REM	130,785	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411849_GR411425-HU-ADM	102,033	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	411853_GR411429-HU-NRO	68,492	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	412154_GR411971HU-Okunji	50,469	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	412182_GR411430-HU-Howell	67,572	-
Center for Clinical and Translational Sciences (Georgetown University)	93.350	412200_GR411970-HU-Bell	39,724	22,326
<i>Subtotal for the National Center for Advancing Translational Sciences</i>			1,608,877	37,897
<i>Allergy and Infectious Diseases Research</i>				
In Vitro and in Vivo Studies of Cytomegalovirus MIE Gene Regulation (George Washington University)	93.855	15-M07R	255,565	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	93.855	16-M06R	51,924	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	93.855	16-M07R	29,275	-
District of Columbia Center for AIDS Research (DC CFAR)	93.855	16-M53R	40,062	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	93.855	17-M07R	24,225	-
BELIEVE: Bench to Bed Enhanced Lymphocyte Infusions to Engineer Viral Eradication (George Washington University)	93.855	16-M86R	85,179	-
<i>Subtotal for the Allergy and Infectious Diseases Research</i>			486,230	-
<i>Drug Abuse and Addiction Research Programs</i>				
Interactive Effects of Cannabinoids and Sex Hormones in Females (LSU Heath Science Center-New Orleans)	93.279	15-21-233/R01DA03725	16,348	-
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			16,348	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<i>Minority Health and Health Disparities Research</i>				
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	93.307	AVD-RX4442030HU	6,136	-
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	93.307	AVD-RX4442031HU	64,578	-
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	93.307	AVD-RX4442029HU	12,094	-
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	93.307	AVD-RX4442033HU	4,096	-
The Hampton University Regional Transdisciplinary Collaborative Center (Hampton University)	93.307	HU-140005	71,008	-
Develop New Dental Composites With Long Lifetime (Morehouse College)	93.307	003HU16	14,779	-
<i>Subtotal for the Minority Health and Health Disparities Research</i>			<u>172,691</u>	-
<i>National Cancer Institute</i>				
High Throughput Mechanical Modulatory Assay for Breast Cancer Drug Testing (Virginia Tech)	93.395	431945-19782	23,692	-
Analysis of Racial Disparities in HCC by Systems Metabolomics (Georgetown University)	93.396	U01CA185188-01A1	62,926	-
<i>Subtotal for the National Cancer Institute</i>			<u>86,618</u>	-
<i>Aging Research</i>				
District of Columbia Intellectual and Developmental Disabilities Research Center DC-IDDRC: Cellular Imaging Core (Children's Research Institute)	93.865	30003624-01-16	19,288	-
Alzheimer's Disease Neuroimaging Initiative - Execution Phase (University of California, San Diego)	93.866	AG024904	7,500	-
<i>Subtotal for the Aging Research</i>			<u>26,788</u>	-
Subtotal for the National Institutes of Health			<u>2,549,832</u>	<u>37,897</u>
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,725,886</u>	<u>37,897</u>
DEPARTMENT OF HOMELAND SECURITY				
Center of Excellence for Command , Control and Interoperability (Rutgers University)	97.061	5987	33,336	-
CCICADA Supplement: Economics of Security (Rutgers University)	97.061	6035	28,421	-
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			<u>61,757</u>	-
<i>Subtotal for the Pass-Through Research and Development Awards</i>			<u>3,999,738</u>	<u>94,091</u>
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			<u>23,901,985</u>	<u>2,722,569</u>
<u>AGING CLUSTER</u>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Hayes Senior Wellness Center Disease Prevention and Health Promotion Services (District Colombia - Office of Aging)	93.043	HUSCW-16	139,499	-
Hayes Senior Wellness Center Operation (District Colombia - Office of Aging)	93.043	HUSCW-17	256,417	-
TOTAL FOR THE AGING CLUSTER			<u>395,916</u>	-



**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<b><u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u></b>				
DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction				
2016 Summer Transportation Institute (District of Columbia - Department of Transportation)	20.205	PO542901	33,364	-
Part 1-2015 Summer Transportation Institute (District of Columbia - Department of Transportation)	20.205	PO518290	127,141	-
Traffic Safty Data Center (District of Columbia - Department of Transportation)	20.205	PO533336	48,823	-
Administrative Support to the DDOT Research Office (District of Columbia - Department of Transportation)	20.205	PO542902	170,307	-
Civil Right Summer Interns 2016 (District of Columbia - Department of Transportation)	20.205	PO544754	26,576	-
Development of Prototype on Board Unit for Connected Vehicle Initiatives (District of Columbia - Department of Transportation)	20.205	PO548790	74,522	61,772
District Freight Trip Generation - On Site Berths and the Curbside Implications Study (District of Columbia - Department of Transportation)	20.205	PO552953	68,198	64,562
Traffic Safety Data Center at Howard University (District of Columbia - Department of Transportation)	20.205	PO557608	207,142	-
Transportation Research Administrative support- Summer (District of Columbia - Department of Transportation)	20.205	PO562429	18,763	-
Subtotal for the Highway Planning and Construction			<b>774,836</b>	<b>126,334</b>
Highway Training and Education				
Dwight David Eisenhower Transportation Fellowship Program Historically Black Colleges and Universities Fellowship (District of Columbia - Department of Transportation)	20.215	DTFH6415GG00075	1,609	-
Subtotal for the Highway Training and Education			<b>1,609</b>	<b>-</b>
State and Community Highway Safety				
2016 Annual Seat Belt Use Survey Design (District of Columbia - Department of Transportation)	20.600	PO542139	77,117	-
2017 Annual Seat Belt Use Survey Design (District of Columbia - Department of Transportation)	20.600	PO555671	40,618	-
Subtotal for the State and Community Highway Safety			<b>117,735</b>	<b>-</b>
<b>TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>			<b>894,180</b>	<b>126,334</b>

**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<b><u>AIDS EDUCATION AWARDS</u></b>				
<i>Pass-Through AIDS Education Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
AIDS Education and Training Centers (University of Pittsburgh)	93.145	1U10HA29295-01-00	16,587	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0050178 (128071-1)	13,670	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0050178 (128071-1)	25,024	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0050178 (128071-1)	13,793	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0050178 (128071-1)	217,773	-
AIDS Education and Training Centers (University of Pittsburgh)	93.145	0056096(128762-1)	5,096	-
<i>Subtotal for the Pass-Through AIDS Education Awards</i>			<b>291,943</b>	-
<b>TOTAL FOR THE AIDS EDUCATION AWARDS</b>			<b>291,943</b>	-
<b><u>HIV AND RYAN WHITE AWARDS</u></b>				
<i>Direct HIV and Ryan White Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Resources and Services Administration				
Ryan White Part C Out Patient EIS Program	93.918		293,129	-
Ryan White Part C Out Patient EIS Program	93.918		18,076	-
			<b>311,205</b>	-
Dental Reimbursement Program	93.924		197,943	-
<i>Subtotal for the Health Resources and Services Administration</i>			<b>509,148</b>	-
<i>Subtotal for the Direct HIV and Ryan White Awards</i>			<b>509,148</b>	-
<i>Pass-Through HIV and Ryan White Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Resources and Services Administration				
<i>HIV Emergency Relief Project Grants</i>				
HIV Core Medical Services and /or HIV Support Services (District of Columbia - Department of Health)	93.914	16Z016	612,932	-
Ryan White Part A Grant (District of Colombia - Department of Health)	93.914	16Z016A	84,767	-
<i>Subtotal for the HIV Care Formula Grants</i>			<b>697,699</b>	-

**The Howard University**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2017**

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<i>HIV Care Formula Grants</i>				
HIV Care Medical Service and /or HIV Support Services (District of Columbia - Department of Health)	93.917	16Z404	307,567	-
Ryan White Part B Grant (District of Columbia - Department of Health)	93.917	16Z404A	207	-
<i>Subtotal for the HIV Care Formula Grants</i>			<u>307,774</u>	<u>-</u>
Subtotal for the Health Resources and Services Administration			<u>1,005,473</u>	<u>-</u>
<i>Subtotal for the Pass-Through HIV &amp; Ryan White Awards</i>			<u>1,005,473</u>	<u>-</u>
<b>TOTAL FOR THE HIV AND RYAN WHITE AWARDS</b>			<u><b>1,514,621</b></u>	<u><b>-</b></u>
<b><u>OTHER FEDERAL AWARDS</u></b>				
DEPARTMENT OF JUSTICE				
Howard University Campus Safety First Program	16.525		30,538	-
Invited Application Between the national Institute of Justice (NIJ) and Howard University (HU) in Support of NIJ's Research Assistantship Program	16.560		58,711	-
Do DOJ Intervention and Citizen Oversight Improve Police Accountability	16.566		52,778	-
<b>SUBTOTAL FOR THE DEPARTMENT OF JUSTICE</b>			<u><b>142,027</b></u>	<u><b>-</b></u>
U.S. DEPARTMENT OF STATE				
<i>Academic Exchange Programs - Undergraduate Programs</i>				
Mandela Washington Fellowship (IREX)	19.009	FY16-YALI-PM- Howard- 03	3,856	-
Mandela Washington Fellowship for Young African Leaders (IREX)	19.009	FY17-YALI-PM-Howard-04	8,625	-
<i>Subtotal for the Academic Exchange Programs - Undergraduate Programs</i>			<u>12,481</u>	<u>-</u>
<i>Charles B. Rangel International Affairs Program</i>				
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program	19.020		927,163	148,300
Charles B. Rangel International Affairs Graduate Fellowship and Summer Enrichment Program	19.020		40,948	-
The 2016 Charles B. Rangel International Affairs Program	19.020		1,136,937	-
The 2017 Charles B. Rangel International Affairs Program	19.020		420,265	-
<i>Subtotal for the Charles B. Rangel International Affairs Program</i>			<u>2,525,313</u>	<u>148,300</u>
<b>SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE</b>			<u><b>2,537,794</b></u>	<u><b>148,300</b></u>
DEPARTMENT OF TRANSPORTATION				
Mineta Consortium for Transportation Mobility (San Jose State University)	20.701	21-1100-5726-HU	11,520	-
<b>SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION</b>			<u><b>11,520</b></u>	<u><b>-</b></u>

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
NASA Early Opportunities Program for Underrepresented Minorities in Earth and Space Sciences	43.001		125,606	15,141
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			125,606	15,141
SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers (District of Columbia)	59.037	SBAHQ-17- B-0036	265,643	71,011
Small Business Development Centers (District of Columbia)	59.037	SBAHQ-16-B-0033	351,066	67,830
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			616,709	138,841
DEPARTMENT OF ENERGY				
DOE Chair of Excellence Professorship in Environmental Discipline	81.123		283,996	-
Exploring the Roll of Individual Employee Characteristics and Personality on Employee Compliance with Cyber Security Policies (North Carolina A&T University)	81.123	270111D	142,173	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			426,169	-
DEPARTMENT OF EDUCATION				
Institutional Research Engagement Program at Howard University (IREPHU)	84.120A		193,872	3,600
Office of Special Education and Rehabilitative Services				
Howard University Pipeline for Leaders and Scholars in Communication Disorders	84.325K		282,406	-
Subtotal for the Office of Special Education and Rehabilitative Services			476,278	3,600
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			476,278	3,600
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Centers of Excellence	93.157		538,262	-
Centers of Excellence	93.157		55,569	-
			593,831	-
Field - Imitated Program	93.433		243,220	2,441
Howard University Health Careers Opportunity Program	93.822		552,986	-
Living Smartly with Diabetes: Using PWP and Mobile PWP for Self-Management	93.879		29,783	-
Baby Hug Follow-up Study II: Clinical Sites	93.936		60,592	-
Routine HIV Screening in Clinical Settings (District of Columbia Department of Health)	93.943	14X202	33	-
HIV Prevention and Intervention Services (District of Columbia Department of Health)	93.943	15Y202	95,234	-
Centers for Disease Control and Prevention			95,267	-

# The Howard University

## Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2017

Program Description	CFDA Number	Pass-Through Award Number	Total Federal Expenditures	Passed Through to Sub-recipient
<i>Global AIDS Program</i>				
Surveillance of HIV Positive Pre-arts persons by HU in partnership with SANAC	93.067		21,639	-
<i>Subtotal for the Global AIDS Program</i>			21,639	-
Subtotal for the Centers for Disease Control and Prevention			21,639	-
 Health Resources and Services Administration				
School- Based Health Center (District of Colombia - Department of Health)	93.501	PO353895	52,937	-
<i>Subtotal for the Maternal and Child Health Federal Consolidated Programs</i>			52,937	-
Subtotal for the Health Resources and Services Administration			52,937	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,650,255	2,441
 AGENCY FOR INTERNATIONAL DEVELOPMENT				
USAID Foreign Assistance for Programs Overseas				
Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	98.001	AID-620-A-11-00002	3,412,415	-
Gender and Large- Scale Land Acquisitions in Ghana: Implications for Rural Livelihoods, Food Security and Nutrition (Purdue University)	98.001	8000074110	14,078	-
Clinical HIV/ AIDS System Strengthening (CHASS)	98.001	AID-656-A-00-10-00113-00	1,102,926	-
Foreign Service Diversity Fellowship Program	98.001		416,013	-
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			4,945,432	-
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Jumpstart DC at Howard University Program (Jump Start Children First)	94.006	410200	64,095	-
Jumpstart DC at Howard University Program (Jump Start Children First)	94.006	410200	10,982	-
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			75,077	-
TOTAL FOR THE ALL OTHER FEDERAL AWARDS			11,006,867	308,323
 TOTAL EXPENDITURES OF FEDERAL AWARDS			613,525,640	\$ 3,157,226

# The Howard University

## Notes to the Schedule of Expenditures of Federal Awards

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### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the expenditures of The Howard University (the “University”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards made to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. CFDA numbers and pass through numbers are provided when available.

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment would be immaterial to the University’s consolidated financial position or changes in net assets. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

All of the University’s federal awards were in the form of cash assistance for the year ended June 30, 2017.

### 2. Summary of Significant Accounting Policies for Federal Award Expenditures

#### *Basis of Presentation*

The accompanying Schedule has been prepared using the accrual basis of accounting.

#### *Expenditures*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell Grant Program awards to students, Federal Supplemental Educational Opportunity Grant awards to students and Federal Work-Study Program wages paid, certain other federal financial assistance grants for students, administrative cost allowances, and loan disbursements.

# The Howard University

## Notes to the Schedule of Expenditures of Federal Awards

### 3. Facilities and Administrative Costs ("F&A Costs")

Expenditures for non-financial aid awards include indirect costs, relating primarily to facilities operation and maintenance, general, divisional, and departmental administrative services, which are allocated to direct cost objectives (including federal award programs) based on negotiated formulas commonly referred to as indirect cost rates, which were negotiated with the Department of Health and Human Services. A portion of indirect costs allocated to some awards for the year ended June 30, 2017 were based on individual grantor rates.

The University operates under predetermined F&A cost rates which are effective from July 1, 2012 to June 30, 2017. The predetermined fixed rates are based on 2012 financial information. The base rates for off-campus research and on-campus research have been amended effective July 1, 2014 to June 30, 2017 to 26% and 51%, respectively. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2017.

### 4. Federal Student Loan Programs

The University receives awards to make loans to eligible students under the Federal Perkins Loan Program and Federal Direct Student Loans Program of the Department of Education, and Health Professions and Nursing Student Loan Programs of the Department of Health and Human Services. Campus-based loan programs which include the Federal Perkins Loan Program are administered directly by the University. Balances and transactions relating to these programs are included in the University's basic financial statements. These administrative allowances related to these loan programs for the year ended June 30, 2017 were zero. Additional information regarding these programs for the year ended June 30, 2017 is summarized below:

Campus-Based Loan Programs	FY 2017 Loans Issued	FY 2017 Loans Collected/ Cancelled	Outstanding June 30, 2017
Federal Perkins Loans (CFDA# 84.038)	\$ 335,178	565,654	\$ 3,155,224
Health Professional and Disadvantaged Students (CFDA# 93.925)	1,287,300	162,666	3,808,381
Nursing Student Loans (CFDA# 93.364)	-	42,760	185,633
Total Campus-Based Loan Programs	\$ 1,622,478	771,080	\$ 7,149,238

The University is responsible for the performance of certain administrative duties with respect to Federal Direct Student Loans disbursed by the Department of Education on behalf of the University's students under the Federal Direct Student Loans programs (Subsidized Stafford Loans, Unsubsidized Stafford Loans, and Parent PLUS Loans). These loan programs collectively are CFDA number 84.268 and are disclosed on the Schedule in the amount of \$177,529,374. It is not practical to determine the balance of loans outstanding to students and former students of the University under these federally guaranteed loan programs at June 30, 2017.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### Section I—Summary of Auditor's Results

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

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Internal control over financial reporting:

- |   |             |     |             |               |
|---|-------------|-----|-------------|---------------|
| • Material weakness(es) identified?                   | <u>X</u>    | yes | <u>    </u> | no            |
| • Significant deficiency(ies) identified?             | <u>X</u>    | yes | <u>    </u> | none reported |
| Noncompliance material to financial statements noted? | <u>    </u> | yes | <u>X</u>    | no            |

#### *Federal Awards*

Internal control over major programs:

- |   |             |     |             |               |
|---|-------------|-----|-------------|---------------|
| • Material weakness(es) identified?       | <u>    </u> | yes | <u>X</u>    | no            |
| • Significant deficiency(ies) identified? | <u>X</u>    | yes | <u>    </u> | none reported |

Type of auditor's report issued on compliance for major federal and state programs:

Unmodified

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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes      no



# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
Various	HIV and Ryan White Awards
19.020	Charles B. Rangel International Affairs Program
84.000	Matching Endowment
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

           yes        X   no

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### Section II - Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

#### FINDING 2017-001

##### *Criteria or Specific Requirement:*

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues with respect to the operation of the human resources function at the University.

##### *Background:*

For the past several years, we have noted certain issues with respect to the operation of the human resources function at the University. Such issues noted included:

- 1) As noted in prior years, issues remain within the hiring and on-boarding process:
  - a. The current workflow of the ePAR process allows for several points of failure that considerably slow down or entirely halt the hiring process - leading in several instances to the loss of highly desired candidates (as asserted by several University stakeholders);
  - b. Inconsistent job descriptions and role responsibilities remain an issue, resulting in widely varying pay for similar types of job duties;
  - c. There were several instances noted in the current year where new employees were coded to receive inappropriate 403(b), FICA taxes, and social security taxes withholdings. This coding is performed at the department level by delegates and not within the HR function;
  - d. With respect to some faculty new hires, some discrepancies remain between the records maintained by the Office of the Provost and the Office of Human Resources. We noted several faculty new hires with IBS letters but with missing or incomplete ePARs;
  - e. We were unable to obtain proof that new employees were required to review and sign the Code of Ethics and Conduct;
  - f. We also noted that aspects of the hiring process for faculty is still heavily paper-dependent, despite the implementation of the ePar system in a prior period; and
  - g. Lastly, we noted the lack of an appropriate review control to prevent overpayments that primarily stem from contractors that were converted to employees, and faculty employees changing job responsibilities or ending certain temporary roles.
- 2) There are some issues remaining within the terminations process, consistent with what we noted in prior years. The initial responsibility for communicating that a termination, separation, or retirement has occurred lies with the individual University departments. The timeliness of those departments sharing termination information with other relevant departments, including HR and ETS, remains an issue, resulting in some employees still

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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receiving salary/wage payments and/or having systems access subsequent to their termination. In addition, there is a lack of a preventative review control to ensure that terminated employees only receive the compensation due and are not over paid.

- 3) In the prior year, a segregation of duties issue was noted with respect to the University's former benefits administrator. While some steps were taken to change access rights in the Plan's Trustee's system and further segregate controls, in the current year we noted that management does not maintain documentation to support who should have access to which benefits systems, and whether access changes were appropriately authorized. In addition, we noted that there was no documentation maintained to support that management's control to monitor monthly benefit payments was properly executed during the year.
- 4) We noted that management did not appropriately analyze or vet the impact of benefit plan changes from a legal or accounting perspective prior to final approval of any amendments.
- 5) Consistent with prior years, we noted data integrity issues with the personnel files and records maintained by the Office of Human Resources. With respect to payroll testing, we were unable to substantiate the data within PeopleSoft. With respect to testing of Plan participants, documentation to support participant data was either incomplete or entirely missing.
- 6) We noted several instances where incorrect account coding was provided by the Office of Human Resources to record employee benefits transactions. As a result, we noted instances where employer contributions to the 403(b) plan were incorrectly coded to the employee accrual account, COBRA payments were coded to the post-retirement account instead of the health insurance account, and 403(b) payments already paid out were resubmitted for accrual.

We also noted other process issues, such as a lack of budgetary position controls in Lawson (the Hospital's system), department-level deviations from the performance management and performance improvement plan, termination processes that ultimately result in delays in removing or dismissing poorly performing employees, and an overly complex job coding structure in PeopleSoft that is not tied to standardized job descriptions.

### *Context:*

The University did not have adequately designed internal controls over human resources that were operating effectively.

### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-001 in the prior year schedule of findings and questioned costs.

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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

Management should reconsider the structure and overall processes and procedures surrounding the University's (including Hospital) Human Resources function. Such matters need to consider overall on-boarding process, documentation maintenance/retention, and internal control procedures over pay rate changes as well as key benefit functions.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-002

#### *Criteria or Specific Requirement:*

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues related to the University's approval of tuition remission and awarding of institutional aid.

#### *Background:*

During the current year, management noted instances where individuals received both tuition remission benefits and institutional aid in the form of grants. As tuition remission benefits effectively reduce tuition billings to zero, the award of institutional aid grants resulted in refund checks or direct deposits being issued to certain individuals. Upon further investigation, management determined that this practice was systemic, involved those charged with management responsibilities in the Office of Student Financial Aid and the Office of the Bursar, and had been on-going for several years. In certain instances, individuals employed by the University used the receipt of institutional aid grants to compensate for salaries that they perceived as too low and never attended any classes. In total, this practice involved the issuance of \$3.7 million in refunds from 2007 through December 2016.

The underlying cause of this issue was deemed to be that the policy for awarding institutional aid was entirely at the discretion of the Office of Student Financial Aid. Note that the refunds ultimately have no impact on the financial statements, or on financial statement line items. The expense related to the institutional aid that was awarded is reflected as unrestricted "Other" aid in the financial statements.

With respect to the documentation maintained to support the approval of tuition remission, we note that the records within the system could be improved if there were fields identifying whether the individual was an employee, retiree, or a beneficiary of an employee or retiree (and if so, which specific related individual).

In addition, in the current year we noted that in some instances the University was unable to provide sufficient documentation to support how specific students were selected for scholarship awards, and did not always obtain signed student award contracts in compliance with specific controls. We also noted that documentation to support the execution of several controls as described by system process narratives was not maintained. Examples of such controls include reconciliation of Study Abroad students to Banner and review of student loan accounts.

Lastly, we noted instances where credits were rolling forward in student accounts for former students that had withdrawn from the University. Of the accounts we reviewed that had credit balances and withdrawals, we also noted that the University had issued refund checks to three of the students shortly before their withdrawals.

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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Context:*

The University did not have adequately designed internal controls over the approval of tuition remission and awarding of institutional aid.

### *Repeat Finding:*

No similar findings noted in the prior year.

### *Recommendation:*

Management should reconsider the structure and overall processes and procedures surrounding the approval of tuition remissions and awarding of institutional aid. Additionally, we recommend that the University enhance and adhere to its current internal controls to ensure that sufficient and appropriate documentation supporting these approvals and awards be maintained for a reasonable period of time.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-003

#### *Criteria or Specific Requirement:*

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies related to account reconciliations and consolidated financial reporting.

#### *Background:*

In the prior year, BDO noted that many accounts lacked timely and accurate reconciliations at year end. Reconciliations were either not being performed consistently throughout the fiscal year and/or adequately reviewed by management.

For the current year, the Hospital made a number of improvements to remedy the prior year comment. The current Chief Financial Officer and Director of Financial Reporting, ensured that current activity for all accounts were reconciled and reviewed throughout the fiscal year. In going about this process, there were several accounts in which unsupported transactions were identified. Given staffing constraints and turnover experienced within the Hospital's finance department in recent years, researching and resolution these items was a time consuming task that culminated in approximately twenty-one (21) post-closing entries. Many of these entries had a significant impact on the account balances with which they were associated. Given the nature and volume of these entries, the accuracy and completeness of account balances reported during the year are questionable.

The preparation of timely, accurate and complete reconciliations, subjected to an appropriate level of review by management is a key control to ensure the accuracy of financial information provided to other members of Hospital management, University management and ultimately the University's Board of Trustees. Such reconciliations and related review of those reconciliations are also necessary to ensure that Hospital assets are properly safeguarded against misappropriation.

#### *Context:*

The University did not have adequately designed internal controls over account reconciliations and consolidated financial reporting that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-005 in the prior year schedule of findings and questioned costs.

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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend that the Hospital develop a monthly checklist to assist in its closing procedures that includes the preparation of reconciliations for all accounts and review by an independent party within the finance department, ideally at a manager level. Reconciliations should also be reviewed by the Assistant Chief Financial Officer as well as the Chief Financial Officer. Evidence of their review(s) should be noted.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.



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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-004

#### *Criteria or Specific Requirement:*

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies with respect to patient accounts receivable and the related allowance.

#### *Background:*

As noted in the prior year's audit, net patient accounts receivable, including the related allowances for doubtful accounts and contractual adjustments, had several deficiencies noted. Many of these deficiencies were addressed by the Hospital during the current year.

In reviewing the calculation provided by Hospital management to support the allowance for doubtful accounts, BDO noted a formula error that resulted in an audit adjustment of approximately \$3.8 M, resulting in an increase to the allowance and corresponding expense accounts. The fact the error went unidentified was due in part to the fact that the Chief Financial Officer was too close to the preparation of the calculation to provide an objective review.

Patient accounts receivable/revenue and related allowance accounts represent a significant portion of the Hospital's balance sheet and income statement, reflective of its significance to the Hospital's mission and operations. The accuracy of this information is key to accurate financial reporting as well as tools to be utilized by management to improve Hospital operations.

#### *Context:*

The University did not have adequately designed internal controls over patient accounts receivable and the related reserves that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-007 in the prior year schedule of findings and questioned costs.

#### *Recommendation:*

Given the intricate and somewhat manual process associated with the monthly reserve calculation, we recommend the Hospital implement a comprehensive process to ensure the accuracy of the calculation. With the addition of new members to the finance team at the Hospital, the Chief Financial Officer should migrate to a role whereby he performs a higher level review in order to more objectively evaluate the accuracy and reasonableness of the calculation.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-005

#### *Criteria or Specific Requirement:*

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we identified several invoices that were expensed in the improper period.

#### *Background:*

As noted in prior years, we noted that there are time lags between when various University departments receive invoices for goods or services rendered, and when those departments remit those invoices to Accounts Payable for recording and payment. The average time lag is 4.5 months. As a result, management cannot effectively track spending against the budget and has had to rely on analyzing encumbrances (e.g. purchase orders or contracts), which is an imperfect measure. As a result, this issue impacts quarterly reporting, effective monitoring of debt covenant compliance, internal management reporting, and the ability of the Board of Trustees to effectively monitor the University's fiscal performance.

For the fiscal year ended June 30, 2017, these time lags resulted in a post-closing adjustment of approximately \$10 million.

#### *Context:*

The University did not have adequately designed internal controls over expense cut-off that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-010 in the prior year schedule of findings and questioned costs.

#### *Recommendation:*

We recommend that management consider alternative methods to the collection of invoices from the various departments on campus (including central depositories), as invoices appear to not always be submitted timely.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-006

#### *Criteria or Specific Requirement:*

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted that certain segregation of duties issues related to the patient revenue financial reporting information system.

#### *Background:*

As a part of our assessment of IT general controls, we reviewed Practice Management access for appropriate segregation of duties. As a result of our review, we noted that certain functions can be performed by users with overlapping roles:

1. Users in the Manager role have access to register patients, and can also enter claims;
2. Users in the Revenue role have access to enter claims, approve claims, and generate billings; and
3. Users in the Super User role have access to register patients, enter claims, approve claims, and generate billings. There are 30+ users assigned to the Super User role.

While the University communicated that it initiated a comprehensive user access review, this review was still in progress subsequent to year end.

#### *Context:*

The University did not have adequately designed internal controls over the segregation of duties within the patient revenue financial reporting information system that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-011 in the prior year schedule of findings and questioned costs.

#### *Recommendation:*

BDO recommends that the University assess segregation of duties rules that are required to support an effective internal control environment related to patient revenue. The rules defined by management should be incorporated into the access review and revisions that are currently in progress.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-007

#### *Criteria or Specific Requirement:*

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted certain logical access rights within the financial reporting application were inappropriate.

#### *Background:*

As a part of our assessment of IT general controls, we tested the logical access controls for the Active Directory, Aurora, Crowe, Invision, Lawson, 3M and Soarian Clinicals applications. As a result of our testing, we noted the following:

#### Aurora

1. No formal documented policies in place that govern adding or modifying access;
2. No formal documentation in place that governs how users are terminated; and
3. Noted four user accounts with system administrative access that potentially creates a segregation of duties conflict.

#### Crowe

1. No formal documented policies in place that govern adding or modifying access;
2. No formal documentation in place that governs how users are terminated; and
3. Noted two user accounts with system administrative access that potentially creates a segregation of duties conflict.

#### Invision

1. Noted one user account with system administrative access that potentially creates a segregation of duties conflict; and
2. Noted eight user accounts that had access to both the Production and Development environments. In one instance, one of the users had this access, as well as system administrative access and access to the Revenue module.

#### Lawson

1. Noted two generic user accounts that management should review to determine if the accounts should be disabled.

#### 3M

1. Noted three user accounts with system administrative access that potentially creates a segregation of duties conflict.

#### *Context:*

The University did not have adequately designed internal controls over information system logical access and administration that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-002 in the prior year schedule of findings and questioned costs.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

BDO recommends that management formally document all user access requests and obtain appropriate approvals prior to granting access to financially significant systems. In addition, management should enforce its process to ensure that users are terminated timely within the system. Management should also review access to the revenue applications, as well as the Production and Development environments, and determine the levels of access appropriate to preserve segregation of duties.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-008

#### *Criteria or Specific Requirement:*

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted that certain deficiencies with respect to third-party settlement reserves.

#### *Background:*

The third-party settlement reserves account roll forward lacked adequate documentation to support the Hospital's position with respect to potential exposure items related to open as well as unaudited cost report submissions. Third-party reimbursement is a highly specialized role within any hospital.

#### *Context:*

The University did not have adequately designed internal controls over third-party settlement reserves that were operating effectively.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-005 in the prior year schedule of findings and questioned costs.

#### *Recommendation:*

Currently, the Hospital employs an outside vendor to prepare its annual cost report. We recommend that the Hospital expand the current vendor's roll to include responding to and cost report modeling the impact of any notices received from regulatory agencies received throughout the year. This expanded role would include defending previously taken cost report positions as well as to prepare projections modeling the potential impacts of regulatory findings on filed and to be filed cost reports. This role would be invaluable to ensure that the Hospital has adequate and supportable reserves related to third-party settlements.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### Section III - Federal Awards Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by the Uniform Guidance, Section .516(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs and material abuse). Where practical, findings should be organized by federal agency or pass-through entity.

#### FINDING 2017-009

##### *Federal Program Information:*

Student Financial Assistance Cluster (various CFDA #'s)

##### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Verification* - An institution may participate under an ED-approved Quality Assurance Program ("QA Program") that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. Per the Federal Student Aid Handbook, institutions participating in the QA Program develop a quality improvement approach to their administration of the Federal Student Aid programs. They design a verification program that fits their population, and they have flexibility regarding certain verification regulations. To help with the design of verification criteria, QA Program schools must use the IA Tool to test the criteria's effectiveness. The tool shows which application elements changed when verified and reveals the impact that those changes have on the Expected Family Contribution.

An institution shall require an applicant selected for verification to submit acceptable documentation that will verify or update the following information used to determine the applicant's EFC: adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one, and untaxed income subject to U.S. income tax reporting requirements in the base year which is included on the tax return form, excluding information contained on schedules appended to such forms. Untaxed income and benefits include: Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported; child support if the institution has reason to believe child support was received; U.S. income tax deductions for a payment made to an individual retirement account or Keough account; interest on tax-free bond; foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received; and all other untaxed income subject to U.S. income tax reporting requirements in the base year included on the tax return form, excluding information contained on schedules appended to such forms (34 CFR 668.56).

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Condition:*

The University is a participant in the Department of Education's QA Program. Under the QA Program, the University is required to design and implement a comprehensive program to verify student financial aid application data based on analysis of institution specific criteria. Although the University appropriately established the selection criteria, they did not verify all students who met this established criteria for verification. For certain students who were properly selected for verification, the information required to be verified either did not match the underlying supporting documentation or could not be provided by the University. Additionally, certain students requiring verification were disbursed federal aid prior to the completion of verification procedures. We consider Finding 2017-009 to be a significant deficiency.

### *Questioned Costs:*

None.

### *Context:*

- For 7 of 40 students selected for testing, while the students met the University's criteria for verification they were not properly selected for verification.
- For 17 of 40 students selected for verification testing, the University did not perform appropriate verification procedures.
- For 3 of 40 students selected for verification testing, federal aid was disbursed prior to the University's completion of verification procedures.

### *Effect:*

Federal awards were not disbursed in accordance with federal regulations and the University was not in compliance with the verification compliance requirements.

### *Cause:*

Insufficient internal controls and administrative oversight in regards to QA Program verification procedures.

### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-012 in the prior year schedule of findings and questioned costs.



# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend that the University establish written policies and procedures to ensure that the appropriate verification procedures are performed for all students who meet the University's selection criteria for verification unless excluded by the federal regulations.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-010

#### *Federal Program Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions -Disbursements To or On Behalf of Students* - If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System ("NSLDS") Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and "alert" the school of any relevant financial aid history changes. A school must wait 7 days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student (34 CFR section 668.19).

#### *Condition:*

Transfer monitoring procedures were not properly completed during the year ended June 30, 2017. The University was unable to provide documentation confirming management's request of the students' financial aid history prior to disbursing Title IV funds. The transfer students were also not added to the NSLDS alert list as required. We consider Finding 2017-010 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

Students who transferred to the University during the year and received federal aid, were not added to the NSLDS alert list as required.

#### *Effect:*

Federal awards were not disbursed in accordance with federal regulations.

#### *Cause:*

Insufficient internal controls and administrative oversight in regards to transfer monitoring procedures.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-013 in the prior year schedule of findings and questioned costs.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend that the University implement policies to ensure the University adds all transfer students to the NSLDS alert list as required.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-011

#### *Federal Program Information:*

Federal Direct Loans (CFDA #84.268)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Borrower Data Transmission and Reconciliation - Direct Loans -* Federal regulations (34 CFR 690.83 and 685.301) require that the University submit Common Origination and Disbursement ("COD") information for students in an accurate and timely manner (no earlier than 7 days before and no later than 15 days after disbursement of funds).

#### *Condition:*

For certain students identified through our testing, the University did not submit Federal Direct Student Loans payment data through the COD website within the required timeframes.

#### *Questioned Costs:*

None.

#### *Context:*

For 1 of 25 students selected for Federal Direct Student Loans disbursement testing, the University did not report the disbursements to COD within the required time frame.

#### *Effect:*

The University is not in compliance with COD reporting requirements. Failure to submit and update COD records in a timely manner could result in improper awards of student funds.

#### *Cause:*

Lack of sufficient administrative oversight resulted in the untimely reporting of certain Federal Direct Loans payment data.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-014 in the prior year schedule of findings and questioned costs.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend the University ensure that disbursement dates are entered into the COD website no earlier than 7 days before and no later than 15 days after disbursement as required by federal regulations.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-012

#### *Federal Program Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Enrollment Reporting* - The University is required to update students' statuses on the National Student Loans Data System ("NSLDS") website if they graduate, withdraw or drop to less than half-time status during the fiscal year within 30 days of the date the University becomes aware of the change in enrollment status. Additionally, institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. As with any school/servicer arrangement for the administration of the Title IV programs, if the school uses a third party to meet the NSLDS enrollment reporting requirements it is the school that must ensure that enrollment information is submitted timely, accurately, and completely.

#### *Condition:*

The University did not submit an accurate status change notification or failed to submit timely notification to the NSLDS website for certain students who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year. We consider Finding 2017-012 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

- For 30 of 40 students sampled whose status changed during the fiscal year, the University failed to submit a timely notification to the NSLDS website.
- For 5 out of 40 students sampled whose status changed during the fiscal year, the University failed to submit any notification to the NSLDS website.

#### *Effect:*

The University is not in compliance with enrollment reporting requirements. Failure to promptly report accurate and timely changes in enrollment status may adversely impact the repayment status for student loan borrowers.

#### *Cause:*

Insufficient internal controls and administrative oversight with respect to enrollment reporting requirements.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-015 in the prior year schedule of findings and questioned costs.

### *Recommendation:*

We recommend that the University properly follow its policies and procedures over the applicable compliance requirements of the enrollment reporting requirement to ensure that all status changes are submitted to the NSLDS website within the required timeframe.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-013

#### *Federal Program Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Return of Title IV Funds:* The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date.

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

#### *Condition:*

The University did not prepare certain students' refund calculations properly and did not refund Title IV funds within the required time frame.

#### *Questioned Costs:*

None.

#### *Context:*

- For 3 of 18 students selected for refund calculation testing, the required refund was not made to the Department of Education within the required time frame.
- For 1 of 18 students selected for refund calculation testing, the University improperly prepared the refund calculation when calculating return amounts.
- For 2 of 18 students who withdrew during the year, a refund calculation was not prepared by the University.

#### *Effect:*

The University was not compliant with the Return of Title IV Funds compliance requirements.

#### *Cause:*

Lack of sufficient administrative oversight with respect to return of Title IV funds requirements.



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## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-016 in the prior year schedule of findings and questioned costs.

### *Recommendation:*

We recommend that the University enhance its procedures surrounding the disbursement of federal student aid to ensure compliance with the return of Title IV Funds requirements.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-014

#### *Federal Program Information:*

Federal Direct Loans (CFDA# 84.268), Federal Pell Grant Program (CFDA #84.063) and Federal Work Study Program (CFDA# 84.033)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*C. Cash Management* - Institutions are permitted to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either student financial aid funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education (the "ED") (34 CFR section 668.166(a)(1)). Excess cash includes any funds received from the ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery. However, an excess cash balance tolerance is allowed if that balance: (1) is less than one percent of its prior-year drawdowns; and (2) is eliminated within the next 7 calendar days (34 CFR sections 668.166(a) and (b)).

#### *Condition:*

Certain instances during the year were identified where funds drawn were held in excess of the allowable time frame and/or allowable thresholds. We consider Finding 2017-014 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

Various instances of funds drawn and held in excess of the allowable time frame and/or thresholds were identified throughout the University's fiscal year.

#### *Effect:*

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the Cash Management compliance requirements. As a result, certain funds were overdrawn or held in excess of the allowable time frame and/or allowable thresholds.

#### *Cause:*

Insufficient internal controls, policies and procedures and administrative oversight with respect to Cash Management compliance requirements.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Repeat Finding:*

No similar findings noted in the prior year.

### *Recommendation:*

We recommend that the University comply with the Cash Management requirements associated with its Federal Direct Loans, Federal Pell Grant Program, and Federal Work Study Program. We also recommend that the University implement an account review on the third business date after a federal draw to determine whether amounts were disbursed or require a return to the Department of Education.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-015

#### *Federal Program Information:*

Federal Work Study Program (CFDA# 84.033)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Disbursements to or on Behalf of Students - General Disbursement Criteria - Federal Work-Study Program* - For students receiving Federal Work-Study ("FWS") Program funds, federal regulations (34 CFR 675.16) require that the University pay FWS compensation at least once a month. Before an institution makes an initial disbursement of FWS compensation to a student for an award period, the institution must notify the student of the amount of funds the student is authorized to earn, and how and when the FWS compensation will be paid. Regardless of who employs the student, the institution is responsible for ensuring that the student is paid for work performed.

#### *Condition:*

For one student identified through our testing, the University did not pay the student at least once a month for their FWS compensation earned.

#### *Questioned Costs:*

None.

#### *Context:*

1 of 25 students tested were not paid at least once a month for their FWS compensation earned.

#### *Effect:*

The University was not in compliance with FWS disbursement compliance requirements.

#### *Cause:*

Insufficient administrative oversight with respect to disbursement of federal awards.

#### *Repeat Finding:*

No similar findings noted in the prior year.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend the University follow its policies and procedures to ensure that students receiving FWS compensation are paid timely, and for the correct amounts.

### Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-016

#### *Federal Program Information:*

Federal Direct Loans (CFDA #84.268)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*E. Eligibility - Annual Limits for Subsidized Loans* - For an undergraduate student who has not yet successfully completed the first year of study, the annual loan limit is \$3,500 for a program of study at least an academic year in length. For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: up to \$4,500 for a program of study at least an academic year in length. For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: up to \$5,500 for a program of study at least an academic year in length.

#### *Condition:*

For 1 student selected for testing, the University disbursed subsidized Federal Direct Student Loans in excess of allowable annual limits.

#### *Questioned Costs:*

Below reporting threshold.

#### *Context:*

For 1 of 25 students selected for eligibility testing, the University disbursed subsidized Federal Direct Student Loans in excess of allowable annual limits.

#### *Effect:*

The University is not in compliance with student financial assistance eligibility requirements.

#### *Cause:*

Lack of sufficient administrative oversight resulted in the disbursement of subsidized Federal Direct Student Loans in excess of the allowable annual limit.

#### *Repeat Finding:*

No similar findings noted in the prior year.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend the University enhance its procedures to ensure that students are disbursed Federal Direct Student Loans in accordance with federal requirements.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-017

#### *Federal Program Information:*

Federal Supplemental Educational Opportunity Grant ("FSEOG") (CFDA#: 84.007)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*E. Eligibility* - In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year (34 CFR 676.10).

#### *Condition:*

The University did not give priority to Federal Pell recipients when disbursing FSEOG funds.

#### *Questioned Costs:*

Below reporting threshold.

#### *Context:*

Of the total population of students awarded FSEOG funds during the year, 7 students were given priority over Federal Pell Grant recipients.

#### *Effect:*

The University is not in compliance with required federal guidelines.

#### *Cause:*

Lack of administrative oversight over the disbursement of FSEOG funds.

#### *Repeat Finding:*

No similar findings noted in the prior year.

#### *Recommendation:*

We recommend that the University enhance its procedures to ensure that it disburses FSEOG funds to those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.



# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-018

#### *Federal Program Information:*

Student Financial Assistance Cluster (CFDA#: Various)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Disbursements to or on Behalf of Students - Credit Balances* - An institution is required to refund credit balances on student accounts within 14 days of the creation of the credit balance. If an institution attempts to refund the credit balance by check and the check is not cashed, the institution must return the funds to the Department of Education no later than 240 days after the date the school issued the check.

#### *Condition:*

The University did not refund credit balances to certain students within the required timeframe.

#### *Questioned Costs:*

None.

#### *Context:*

For 3 of 25 students selected for testing, the credit balance created by the disbursement of Title IV awards was not refunded to the student within the required 14 day timeframe.

#### *Effect:*

The University was also not in compliance with the required federal guidelines over credit balances from student financial assistance.

#### *Cause:*

Insufficient administrative oversight with respect to the disbursement of federal awards.

#### *Repeat Finding:*

No similar findings noted.

#### *Recommendation:*

We recommend that the University implement a process to disburse credit balances created by federal awards within the required time frame.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-019

#### *Federal Program Information:*

Student Financial Assistance Cluster (CFDA#: various)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*L. Special Reporting - Fiscal Operations Report and Application to Participate ("FISAP")* - An institution is required to submit the FISAP annually by September 30, following the end of the award year, and to accurately complete all required key line items containing critical information. The deadline for submitting data corrections is December 15 of the year in which a school submits its FISAP.

#### *Condition:*

The University submitted the 2016-2017 FISAP with errors in the report and data corrections were not submitted by the required deadline. Additionally, the University was unable to provide documentation to support certain data within the submitted FISAP for purposes of our testing procedures. We consider finding 2017-019 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

The University submitted the annual FISAP for the 2016-2017 reporting year by the required deadline, however subsequently errors were identified within the report. As of the date of our Single Audit report, these errors remain uncorrected. Additionally, the University was unable to provide schedules and documentation supporting certain amounts reported within the submitted FISAP, and we were therefore unable to perform testing of certain key line items for the 2016-2017 year.

#### *Effect:*

The University is not in compliance with special reporting requirements.

#### *Cause:*

Insufficient internal controls and lack of sufficient administrative oversight resulted in data errors reported in the FISAP which were not subsequently corrected within the allowable time frame.

#### *Repeat Finding:*

No similar findings noted in the prior year.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend the University enhance its internal controls and procedures to ensure that the FISAP is completed accurately prior to submission.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-020

#### *Federal Program Information:*

Federal Work Study Program (CFDA# 84.033)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*G. Earmarking - Federal Work Study* - An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education (34 CFR section 675.18).

#### *Condition:*

The University was unable to provide timely documentation to support that the seven percent FWS earmarking requirement was met for the year. While, documentation needed to verify compliance was ultimately obtained, the appropriate internal controls are not in place to ensure that FWS documentation is properly maintained. We consider Finding 2017-020 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

The University was unable to provide timely documentation to support that the seven percent FWS earmarking requirement was met for the year.

#### *Effect:*

The University was not in compliance with FWS earmarking compliance requirements.

#### *Cause:*

Insufficient internal controls and administrative oversight with respect to FWS earmarking requirements.

#### *Repeat Finding:*

No similar findings noted in the prior year.

#### *Recommendation:*

We recommend the University follow its policies and procedures to ensure that documentation supporting FWS earmarking requirements is maintained for adequate period of time.

#### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-021

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s), HIV and Ryan White Awards (various CFDA #'s) and Charles B. Rangel International Affairs Program (CFDA #19.020)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*B. Allowable Costs/Cost Principles (Effort Certification)* - The Uniform Guidance outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, charges may be made initially on the basis of estimates made before the services are performed, but the institution is required to subsequently confirm that the labor effort costs charged to an award reasonably represent the actual labor effort. These signatures may all be on the same document. The effort certifications will be prepared each academic term, but no less frequently than every six months.

#### *Condition:*

We noted that for certain payroll transactions the effort certification was not completed timely which is not in compliance with the Uniform Guidance requirements and the University's internal policy. We consider Finding 2017-021 to be a significant deficiency.

#### *Questioned Costs:*

None.

#### *Context:*

- For 20 of 51 Research and Development Cluster effort certifications selected for testing, the effort certification was not prepared timely.
- For 3 of 9 HIV and Ryan White Awards effort certifications selected for testing, the effort certification was not prepared timely.
- For 1 of 8 Charles B. Rangel International Affairs Program effort certifications selected for testing, the effort certification was not prepared timely.

#### *Effect:*

The University is not in compliance with the Uniform Guidance and its own internal policies regarding the timely and complete preparation of effort certifications.

#### *Cause:*

Lack of effective internal controls and administrative oversight in regards to effort certification preparation and submission.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-017 in the prior year schedule of findings and questioned costs.

### *Recommendation:*

We recommend that the University ensure established policies and procedures are followed in order to comply with the requirements of the Uniform Guidance and to meet the accountability requirements as established in federal regulations. This includes ensuring that all effort certifications are compiled on a bi-annual basis and that payroll expenses recorded in the general ledger are reconciled to what is reported on the effort certificate to ensure completeness and accuracy of the effort calculated and used in evaluation by the responsible individuals.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-022

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*I. Procurement and Suspension and Debarment* - The Uniform Guidance requires recipients of federal awards to have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborates compliance with these requirements. All procurement transactions are required to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Additionally, procurement records and files for purchases in excess of the small purchase threshold (\$25,000) shall include a) a basis for contractor selection, b) justification for the lack of competition when competitive bids or offers are not obtained, and c) a basis for award cost or price. Organizations are also required to be alert to any organizational conflicts of interest (2 CFR 215.40 - 215.48).

#### *Condition:*

The University's purchasing policy and procedures are not being appropriately followed in all cases with respect to the procurement of goods and services funded by federal awards. As a result, certain competitive bidding documentation was not retained and certain sole source documentation could not be provided or did not appear to give adequate reasoning for the lack of a competitive bidding process.

#### *Questioned Costs:*

None.

#### *Context:*

The University is not properly following their policies and procedures surrounding procurement of goods and expenditures using federal awards. We noted the following during our testing:

- For 2 of 4 procurement transactions selected for testing, the University was unable to provide adequate sole source or competitive bidding documentation.

#### *Effect:*

Failure to follow formal policies and procedures as well as evidence and documentation of the competitive bidding process or justification for the lack of competition results in noncompliance with the Procurement requirements.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Cause:*

Inadequate monitoring of policies and procedures and lack of effective administrative oversight over Procurement requirements.

### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-018 in the prior year schedule of findings and questioned costs.

### *Recommendation:*

We recommend that the University enforce the policies and procedures established to ensure that its personnel, especially those responsible for making procurement decisions, are aware of and comply with all federal purchasing rules and regulations.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.



# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-023

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s) and USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*L. Reporting* - The University is required to comply with the requirements of Reporting associated with its federal awards. According to the Uniform Guidance, the University may be required to submit performance reports at least annually but not more frequently than quarterly. Additionally, if required based on the terms of the grant agreement, the University should submit financial reports that are complete, accurate, and prepared in accordance with the required accounting basis. Amounts reported should agree to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

#### *Condition:*

The University is not in compliance with certain requirements of Reporting. Certain progress and financial reports were not submitted in a timely manner.

#### *Questioned Costs:*

None.

#### *Context:*

We noted the following during our testing:

- For 6 of 40 Research and Development Cluster reports selected for testing, the progress report was not submitted timely to the respective awarding agency.
- For 4 of 13 USAID Foreign Assistance for Programs Overseas reports selected for testing, the progress and/or financial report was not submitted timely to the respective awarding agency.

#### *Effect:*

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the Reporting compliance requirements and certain progress and financial reports were not submitted timely.

#### *Cause:*

Inadequate monitoring of policies and procedures and administrative oversight with respect to Reporting requirements.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-019 in the prior year schedule of findings and questioned costs.

### *Recommendation:*

We recommend that the University properly follow its policies and procedures over the applicable compliance requirements of the Reporting requirement to ensure that all required reporting requirements are met in accordance with federal regulations as well as the grant agreements.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### FINDING 2017-024

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions (Publications)* - Per grant agreements between the University and multiple federal agencies, all publications (including conference presentations, promotional material, agendas and internet sites) that result from federal grant support by the grantors must include an acknowledgement of support and a disclaimer that the contents are the responsibility of the authors and not of the grantors.

#### *Condition:*

The University did not properly include the appropriate acknowledgement of support and a disclaimer of responsibility in certain publications selected for testing.

#### *Questioned Costs:*

None.

#### *Context:*

We noted the following in regards to publications:

- For 27 of 35 Research and Development Cluster publications selected for testing, the publication did not include the appropriate acknowledgement of support or disclaimer of responsibility.

#### *Effect:*

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the compliance requirements associated with published information resulting from federal grant support.

#### *Cause:*

Insufficient administrative oversight with respect to Special Tests and Provisions requirements.

#### *Repeat Finding:*

This is a repeat finding from prior year. This was reported as finding 2016-020 in the prior year schedule of findings and questioned costs.

# The Howard University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### *Recommendation:*

We recommend that the University properly follow its policies and procedures over the applicable Special Tests and Provisions requirements within its grant agreements.

### *Views of Responsible Officials and Planned Corrective Actions and Conclusion:*

Please refer to the accompanying management's corrective action plan.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-001

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

As noted in prior management letters, we have noted certain matters with respect to the internal controls in the University's on-boarding process that include the processing of timely terminations, missing documentation (including certain personnel records), and insufficient information systems controls in Kronos and Lawson. While such matters continued in the current fiscal year, additional matters identified included:

- 1) Management discovered a matter where the University's benefits administrator was the only individual that received data from participants, had access to change both participant data and distribution information in the Plan's Trustee's system, and was the only person that reviewed such changes (including the ability to change a participant's status from "deceased" to "active"). In addition, there were no separate controls for a different individual to compare active participants receiving benefits to regularly provided lists of deceased participants - that information was also provided solely to the benefits administrator. As a result of the lack of segregation of duties, the benefits administrator was able to inappropriately redirect pension benefit payments; and,
- 2) Multiple instances of cumulative underpayments to faculty and staff totaling approximately \$145k. Such underpayments resulted from pay rate changes that were not fully reconciled to PeopleSoft. In addition, we noted \$435k of non-faculty overpayments that occurred during the year related to 61 individuals. The majority of the overpayments were caused by the lack of an identified control to determine that terminations are appropriately processed, including that the terminated individual was removed from payroll information before it is transmitted. There were also some instances that stemmed from the lack of an identified control to ensure that all job roles within PeopleSoft are the actual current approved roles for the specific individuals. In addition, while there was an institution-wide pay increase approved in March 2016 applied retroactively to January 2016, in some instances there was inconsistent or no documentation to support which type of personnel were not eligible to receive the increase, and overall documentation to support the pay rate change was not consistently added to employee records.

#### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-001.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-002

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

In the prior year we noted issues related to access rights and user administration within certain applications that are related to the financial statement close process. Per our discussions with management, these issues were not specifically remediated during the current year. Such matters, which we specifically noted as well in the current year, included the following issues related to PeopleSoft, Kronos, and Soarian:

- 1) Some users had an inappropriate level of access that was not commensurate with their roles or requested access by the Office of the Controller;
- 2) Some users had administrative access that was not commensurate with their job titles or roles; and,
- 3) Some users possessed the ability and knowledge to make changes to the production environment (change management) without management's authorization.

Related to the above issues, we noted that there are 101 users with the ability to post and approve journal entries in PeopleSoft. Of the 101 total users, 22 users were consultants as of year end, 10 consultants could not be accounted for, access for 6 consultants should be removed per inquiries with the Office of the Controller, and 2 consultants are no longer engaged by the University but still had access. Furthermore, PeopleSoft access for the majority of individuals should be limited to posting but not approval of journal entries.

Additionally, the University is in the process of drafting its formal disaster recovery plan (DRP) and business continuity plan that categorizes potential levels of impact (e.g., usually based on outage duration/loss of operations), defines roles and responsibilities, and prescribes the respective response procedures for all University business units (including the Hospital). However, this process was not completed as of year-end, nor as of the date that we completed our fieldwork. As also noted in the prior year, formal backup and recovery and business continuity procedures were still not in place during fiscal year 2016. The University suffered several breakdowns in its delivery of IT services including, but not limited to, wireless network coverage gaps, network failures, interruptions to customer service, and systems outages in both Banner and PeopleSoft during the fiscal year. The continued lack of a disaster recovery plan and formal policies and procedures that address business interruption and backup procedures negatively impacted the University's ability to quickly respond.

#### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-007.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-003

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

As a result of our testing procedures, we noted that the accounting implications for a certain material third-party transaction did not have final management accounting conclusions available at the time our audit. Upon further inquiry, there was insufficient information available to management with regards to the fair value of the real estate underlying the third party transaction, which prevented management from determining and concluding upon the appropriate accounting treatment. A robust system of internal controls should include internal processes that allow management to obtain the information necessary to reach independent accounting conclusions separate from our audit procedures.

#### *Status of Finding as of June 30, 2017:*

No similar findings noted.

### FINDING 2016-004

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

Currently, the Hospital evaluates the adequacy of its reserves for medical malpractice claims, including those incurred but not reported (IBNR), at year-end. This process includes a review of data by a reputable, national actuarial firm to provide management with an estimated range of liability associated with such claims. The basis of the estimated liability is incorporated into monthly journal entries to ensure that an adequate reserve is maintained by the Hospital to pay these claims as they are settled. During the audit, the actuarial report did not support the reserve recorded by the Hospital. The Hospital's reserve was approximately \$12 million overstated compared to the range provided by the actuarial firm.

#### *Status of Finding as of June 30, 2017:*

No similar findings noted

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-005

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

During the course of the year-end Hospital audit, it was noted that many accounts lacked timely and accurate reconciliations at year-end. Reconciliations were either not being performed consistently throughout the fiscal year and/or adequately reviewed by management. The following accounts had issues with year-end reconciliations: 1) cash (reconciliations for June 2016 were not completed until late August 2016 (after audit fieldwork began)); 2) accounts receivable (reconciliations were not prepared consistently throughout the fiscal year; year-end reconciliation completed only after much difficulty and assistance in November 2016); 3) accounts payable (reconciliation for June 2016 was not completed). The listing of "Received Not Invoiced" did not agree to the year-end trial balance provided at the onset of audit fieldwork; 4) Third-Party Settlement Reserve (rollforward/reconciliation not prepared except as an audit request. The initial rollforward provided was incorrect. The second rollforward revealed that a \$2 million adjustment was necessary.); (5) accrued expenses (duplicate expense accruals were discovered during audit testwork indicating lack of adequate review by management); (6) fixed assets (rollforward/reconciliation provided during audit fieldwork revealed that assets maintained outside of the Asset Management System, a material amount, were not adequately supported nor was the depreciation of those items accurately calculated.) These issues noted indicate lack of adequate review by financial management.

The preparation of timely and accurate account reconciliations subjected to an appropriate level of review by financial management is a key control to ensure the accuracy of financial information provided to the other members of Hospital Management, University Management and ultimately the University Board. Such reconciliations and review are also necessary to ensure that Hospital assets are safeguarded against misappropriation.

#### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-003.



# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-006

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

Our audit procedures performed over the Hospital's journal entries revealed one instance of a journal entry in which the business purpose, support and approval was not clearly evidenced nor was the Hospital able to provide an explanation. The journal entry affected an accrual and related expense accounts. The total of the journal entry was \$2.6 million. Furthermore, no evidence of review or approval of this entry was provided.

#### *Status of Finding as of June 30, 2017:*

No similar findings noted.

### FINDING 2016-007

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

During the audit, several deficiencies were noted with respect to Patient Accounts Receivable, including the related supporting and allowance accounts. These deficiencies include the following: 1) As previously noted above, no reconciliation of Patient Accounts Receivable was performed during the year or at year-end; 2) Credit balances, noted in the prior year, were addressed and improvement was noted. However, testwork indicated that approximately \$3m of new patient credits were generated. It was further noted that exceptions were noted with respect to how the previous years' credits were addressed. In some cases, legitimate refunds were written off as if they were posting errors; 3) Payor classification errors were noted at the individual patient level. Such misclassifications have the potential to impact the reserve calculation for contractual and uncollectible allowances. These reserves are based on the underlying payor, including self-pay; 4) Unidentified Cash was noted to have inadequate support. In many cases, the payment source was unknown and supporting documentation could not be located. In other cases, no documentation could be located to support to which patient account the payment should be applied.

Furthermore, it became obvious through discussions with Hospital Management that a consistent methodology or process was not being followed with respect to the analyses and estimation of reserves for contractual and uncollectible accounts. During the third quarter of the fiscal year, Management revised their existing methodology by increasing the "cliff" associated with the point in time at which an older account becomes 100% reserved. That cliff was moved from 180 days old to 270 days old. That shift represented the only change in methodology. However, it was noted that the Hospital experienced limitations with respect to its modeling software. The software utilized was in fact an older version no longer supported by its vendor. The software did not allow

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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for enough specificity with respect to the classification of the allowances associated with contractual adjustments, uncollectible accounts as well as charity care provided. The integrity of the Hospital's methodology was further undermined by the fact that Management did not maintain or update its retrospective review, including "Waterfall Report" of cash collected versus reserves recorded, throughout the year. Both the retrospective review and waterfall reports were only prepared, with much difficulty, to accommodate audit requests.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-004.

### FINDING 2016-008

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

During the audit, we noted that communication and reporting between the Hospital and University should be enhanced, particularly with respect to the coordination of interdivisional items. Such communication and coordination is critical to ensure the completeness and accuracy of financial information reported internally at each entity.

For example, the information provided by Hospital management was not timely and was inaccurate at various points in the financial statements reporting process. Furthermore, Hospital management did not provide a complete set of financial statements with related disclosures. Most notably, the pension plan financial information and disclosures were not accurate nor properly reflected, and there were other miscellaneous errors or omissions in the disclosures to the financial statements. Such matters ultimately impact the accuracy and completeness of the information at the University with respect to University management's preparation of the consolidated financial statements.

### *Status of Finding as of June 30, 2017:*

No similar findings noted.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-009

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

As noted in the prior year, the “interface” between the Banner and PeopleSoft systems that shares information related to student receivables, revenues, and other related transactions is only partly automated. While the manual aspect of the interface is still occurring (e.g. downloading batches from Banner that are uploaded to PeopleSoft), the query underlying the information uploaded to PeopleSoft is not in sufficient detail such that variances or outliers can be quickly identified and corrected or reconciled. Further, the information that is pulled into PeopleSoft is not granular enough to allow management to perform management reporting and analysis, or to perform detailed audit analytics.

Furthermore, the continued manual nature of the control relies on queried batch downloads that must then be uploaded into PeopleSoft. The timing of downloads and uploads and issues with PeopleSoft occasionally not pulling all data in the Excel files lead to the potential for material differences that require manual reconciliation. This increases the chances of material error and differences between the data reflected in each system. In the current year, the timing of when student receivables were queried and uploaded from Banner to PeopleSoft resulted in a cut-off issue where payments received subsequent to year-end were reflected as of June 30, 2016.

#### *Status of Finding as of June 30, 2017:*

No similar findings noted.

### FINDING 2016-010

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

As a result of our expenses testing, we identified several invoices that should have been expensed during previous fiscal years that were not expensed until the 2016 fiscal year. The total extrapolated error for the year ended June 30, 2016 was approximately \$8 million. The invoices that we identified had invoice dates throughout fiscal year 2015, and were expensed at various dates throughout fiscal year 2016, so there was no specifically identified cut-off determination.

Additionally, we identified an extrapolated error of approximately \$7.5 million in invoices that should have been expensed in fiscal year 2017 but were expensed in the year ended June 30, 2016. This includes invoices received near the end of the 2016 fiscal year related to services not yet received.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-005.

### FINDING 2016-011

#### *Type of Finding:*

Financial statement finding.

#### *Background:*

In the prior year, we noted that the change management process over PeopleSoft Financials/HCM, Sorian Clinicals, and NVision could be improved. In the current year, due to the changes in ETS, we noted certain areas where only a single person was able to respond to our inquiries. Where individual people represent a single point of failure, the University risks not being able to deliver services in that individual's absence. Note that per our discussions with ETS management, this issue was not specifically remediated during the current year.

### *Status of Finding as of June 30, 2017:*

No similar findings noted.

### FINDING 2016-012

#### *Type of Finding:*

Federal award finding.

#### *Federal Award Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Verification* - An institution may participate under an ED-approved Quality Assurance Program ("QA Program") that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. Per the Federal Student Aid Handbook, institutions participating in the QA Program develop a quality improvement approach to their administration of the Federal Student Aid programs. They design a verification program that fits their population, and they have flexibility regarding certain verification regulations. To help with the design of verification criteria, QA Program schools must use the IA Tool to test the criteria's effectiveness. The tool shows which application elements changed when verified and reveals the impact that those changes have on the Expected Family Contribution ("EFC").

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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An institution shall require an applicant selected for verification to submit acceptable documentation that will verify or update the following information used to determine the applicant's EFC: adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled in as at least half-time students in postsecondary educational institutions if that number is greater than one, and untaxed income subject to U.S. income tax reporting requirements in the base year which is included on the tax return form, excluding information contained on schedules appended to such forms. Untaxed income and benefits include: Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported; child support if the institution has reason to believe child support was received; U.S. income tax deductions for a payment made to an individual retirement account or Keough account; interest on tax-free bond; foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received; and all other untaxed income subject to U.S. income tax reporting requirements in the base year included on the tax return form, excluding information contained on schedules appended to such forms. (34 CFR 668.56).

### *Condition:*

The University is a participant in the Department of Education's QA Program. Under the QA Program, the University is required to design and implement a comprehensive program to verify student financial aid application data based on analysis of institution specific criteria. Although the University appropriately established the selection criteria, they did not verify all students who met this established criteria for verification. For certain students who were properly selected for verification, the information required to be verified either did not match the underlying supporting documentation (including tax information recorded on the students' W-2) or could not be provided by the University. Additionally, certain students requiring verification were disbursed federal aid prior to the completion of verification procedures.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-009.

### FINDING 2016-013

#### *Type of Finding:*

Federal award finding.

#### *Federal Award Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions -Disbursements To or On Behalf of Students* - If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System ("NSLDS") Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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“monitor” those students on the school’s “inform” list and “alert” the school of any relevant financial aid history changes. A school must wait 7 days after it “informs” NSLDS about a transfer student before disbursing Title IV aid to that student (34 CFR section 668.19).

### *Condition:*

For 24 students selected for transfer testing, the University was unable to provide documentation to show management’s request of the students’ financial aid history prior to disbursing Title IV funds. The transfer students were also not added to the NSLDS alert list as required.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-010.

## FINDING 2016-014

### *Type of Finding:*

Federal award finding.

### *Federal Award Information:*

Federal Pell Grant Program (CFDA #84.063)

### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*L. Reporting - Common Origination and Disbursement (“COD”) System* - All institutions receiving Pell grants submit Pell payment data to the Department of Education through the COD System. Institutions must report student payment data no earlier than 7 days before and no later than 15 days after the institution makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.

### *Condition:*

The University did not submit Federal Pell Grant Program payment data through the COD website within the required timeframes.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-011.

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-015

#### *Type of Finding:*

Federal award finding.

#### *Federal Award Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Enrollment Reporting* - Institutions that disburse student financial assistance loan program funds are required to communicate changes in student status via the NSLDS. Additionally, unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

#### *Condition:*

The University did not submit status change notification or failed to submit timely notification to the NSLDS website for certain students who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year.

#### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-012.

### FINDING 2016-016

#### *Type of Finding:*

Federal award finding.

#### *Federal Award Information:*

Student Financial Assistance Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions - Return of Title IV Funds:* The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date.

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to Department of Education or the appropriate FFEL lender as

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

### *Condition:*

The University did not prepare certain students' refund calculations properly and did not refund Title IV funds within the required time frame.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-013.

## FINDING 2016-017

### *Type of Finding:*

Federal award finding.

### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s), USAID Foreign Assistance for Programs Overseas (CFDA #98.001), Charles B. Rangel International Affairs Program (CFDA #19.020) and Highway Planning and Construction Cluster (various CFDA #'s)

### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*B. Allowable Costs/Cost Principles (Effort Certification)* - The Uniform Guidance outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, charges may be made initially on the basis of estimates made before the services are performed, but the institution is required to subsequently confirm that the labor effort costs charged to an award reasonably represent the actual labor effort. These signatures may all be on the same document. The effort certifications will be prepared each academic term, but no less frequently than every six months.

### *Condition:*

We noted that for certain payroll transactions the effort certification was not completed timely which is not in compliance with the Uniform Guidance requirements and the University's internal policy.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-021.



# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### FINDING 2016-018

#### *Type of Finding:*

Federal award finding.

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s)

#### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*I. Procurement and Suspension and Debarment* - The Uniform Guidance require recipients of federal awards to have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborates compliance with these requirements. All procurement transactions are required to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Additionally, procurement records and files for purchases in excess of the small purchase threshold (\$25,000) shall include a) a basis for contractor selection, b) justification for the lack of competition when competitive bids or offers are not obtained, and c) a basis for award cost or price. Organizations are also required to be alert to any organizational conflicts of interest (2 CFR 215.40 - 215.48).

#### *Condition:*

The University's purchasing policy and procedures are not being appropriately followed in all cases with respect to the procurement of goods and services funded by federal awards. As a result, certain competitive bidding documentation was not retained and certain sole source documentation could not be provided or did not appear to give adequate reasoning for the lack of a competitive bidding process.

#### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-022.

### FINDING 2016-019

#### *Type of Finding:*

Federal award finding.

#### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s) and USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

# The Howard University

## Summary Schedule of Prior Year Findings Year Ended June 30, 2017

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### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*L. Reporting* - The University is required to comply with the requirements of Reporting associated with its federal awards. According to the Uniform Guidance, the University may be required to submit performance reports at least annually but not more frequently than quarterly. Additionally, if required based on the terms of the grant agreement, the University should submit financial reports that are complete, accurate, and prepared in accordance with the required accounting basis. Amounts reported should agree to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

### *Condition:*

The University is not in compliance with certain requirements of Reporting. Certain progress and financial reports were not submitted in a timely manner.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-023.

## FINDING 2016-020

### *Type of Finding:*

Federal award finding.

### *Federal Program Information:*

Research and Development Cluster (various CFDA #'s)

### *Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):*

*N. Special Tests and Provisions (Publications)* - Per grant agreements between the University and multiple federal agencies, all publications (including conference presentations, promotional material, agendas and internet sites) that result from federal grant support by the grantors must include an acknowledgement of support and a disclaimer that the contents are the responsibility of the authors and not of the grantors.

### *Condition:*

The University did not properly include the appropriate acknowledgement of support and a disclaimer of responsibility in certain publications selected for testing.

### *Status of Finding as of June 30, 2017:*

This finding was not fully remediated as of June 30, 2017 and is part of finding 2017-024.

Management's Corrective Action Plan  
Year Ended June 30, 2017

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Finding 2017-001

*Name of Responsible Individuals:* Vice President & Chief Human Resources Officer, Senior Associate General Counsel, Provost and Chief Academic Officer, Executive IT Advisor, Chief Financial Officer (Howard University Hospital), Human Resources (Howard University Hospital), Director of Payroll

*Corrective Action:* Additional training will be completed by June 30, 2018. A migration to new HRIS system is expected to take 12-18 months. The Code of Ethics and Conduct Policy was distributed in paper form for some employees and electronically through the eHire portal for most employees. That data can be tracked in PeopleSoft, but was not included in the paper personnel files review by auditors.

HR management recommends that HR take over all faculty hire functions, listing of positions and collecting of applicant data, creation of the offer letter templates and not permit hiring that does not include a well-documented selection process and formal offer letters. All changes in title or position will also be formally documented through letters, and recording in PeopleSoft. Some of this transition has already taken place, as HR is now listing faculty positions. The remaining items can be completed through close work with the Office of the Provost and additional training of Deans and Chairs.

With additional resources, the improved faculty hiring process will be completed by July 2018, to assure hiring of all fall 2018 hires follows this procedure. The PeopleSoft program will be updated for changes in position be accompanied by automatic changes in benefit, tax or leave status and that the operator be prompted to assure these are correct when any change in position is made. Ultimately the transition to a more effective HRIS system with a more clearly defined work process will also eliminate many of these errors. Additional training has been done to alert those involved in making these personnel changes to the issue. Such training will be expanded to all HRIS delegates.

Written procedure will be developed and communicated through additional training to ensure that managers in the field understand method and timing of communication of departure of active employees or an employee's removal from a temporary or appointed position. In addition, changes to PeopleSoft should be made for term appointments so that the termination date is automatically entered when the appointment begins. Additional training can begin immediately. Changes to process with respect to term appointments and temporary positions can also be made immediately. Written policies will be developed and additional training provided to all managers by June 2018.

Individual managers need to be able to secure a list of all property distributed to an employee so that they can alert HR to the property to be collected at termination. Termination meetings will be conducted in cooperation with manager and ETS to assure all property is collected the same day of termination or within 48 hours after. Managers will be provided with a checklist in advance of termination to assure they know what kind of information they need to gather to assure all property is collected and returned to HU. The checklist and processes will be developed by May 1, 2018 for implementation and training to be completed by June 2018.

**Management's Corrective Action Plan**  
**Year Ended June 30, 2017**

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Lack of segregation of duties in HR has been remedied. Controls have been put in place: Data and changes are input by Benefits analyst and confirmed by retirement manager. They have also begun to run regular reports of all such transactions to be reviewed by Benefits manager.

The Pension Committee is aware of the lack of vetting of the impact of Pension Plan changes from a legal or accounting perspective prior to final approval of any amendments and a procedure for vetting new plan changes will be documented to included review by benefits, labor counsel and payroll. HR will work with accounting to assure the correct coding of employee benefit transactions. HR has asked Mercer to assist with selection of an outside vendor to assist with billing and collection of retiree health payments and COBRA payments. Securing a vendor for the outsourcing of payments is targeted for June 2018. Manual report-based system will be implemented to capture employees whose hours entitled them to benefits. Going forward, new HRIS system will enable regular automatic tracking of such employees. A manual system will be implemented by March 31, 2018. A new HRIS system to be implemented in 12-18 months.

Vendor/Agent Mercer is working on the retirees health and life insurance benefits deducted from their pension payments on our behalf to determine exactly how many such beneficiaries there are and secure a policy amendment to add them to the coverage. We are also transitioning all retiree health and life payments to a vendor and will not be deducting them from pensions directly any longer. The affected population should be determined by May 2018, with assurance of coverage. The transition to vendor for collection of premium payments should be completed by June 2018.

Mercer and AON Hewitt have both presented presentations to assist in providing notice to, or requiring payment of, required minimum distributions when participants reach age 70 ½ under IRS rules. Benefits counsel will assist with related IRS filings. A vendor will be selected by March 31, 2018 and the project is expected to be completed 3 months from implementation.

The Benefits team is now tracking pension applications from start to finish and have significantly reduced turnaround time. AON Hewitt has presented proposal for filed digitization of all files, and for pension administration. They will also be advising on how to eliminate those with smaller payouts, and reduce overall liability of the plan. AON Hewitt has been given go ahead on digitization and deferred vested projects. Official approval by Pension Committee by March 31, 2018 and completion by September 2018.

Plan documents for the 403b Plan do not accurately reflect current practice regarding eligibility for non-salaried employees, and not all employees were getting offered option to participate (even if not eligible for employer contributions and match). HR is working with benefits counsel to determine how to make appropriate changes to plan document. The Pension Committee will make some strategic decisions about how to proceed.

A PeopleSoft subject matter expert will be hired to assure data cleanup is completed so that jobs, categories, positions and salary are accurate and commensurate with positions. Additional staff to conduct review of compensation classifications is also required. Migration to new HRIS system will take place which will also improve data integrity. Secure assistance of PeopleSoft subject matter expert and commitment of resources by March 31, 2018. Complete data cleanup by June 30, 2018.

Management's Corrective Action Plan  
Year Ended June 30, 2017

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As of December 2017, Howard University Hospital HR implemented a non-computerized position control system, as Lawson is not capable of position control in current version. In order to assure this system is accurate, finance is defining FTEs per cost center budget to develop position control by cost center and budget process. The project is expected to be completed by June 30, 2018.

HR is working with faculty and Hospital stakeholders to develop an RFP for a performance management software system which will enable creation of goals, monitoring of performance progress and creation of appropriate job decisions, and consistent and effective measurement of performance. Plan will be prepared by June 30, 2018.

*Anticipated Completion Date:* June 30, 2018

## Finding 2017-002

*Name of Responsible Individuals:* Provost & Chief Academic Officer, Director of Financial Aid

*Corrective Action:* Management has enhanced the internal controls over the awarding of financial aid. The approved annual budgets for each category of unrestricted financial aid has been loaded into the Banner system that are consistent with the overall University Unrestricted Financial Aid budget. The approval workflow for unrestricted financial aid requires all unrestricted financial aid be approved by the Budget Office prior to being awarded. Banner financial aid access has been limited to appropriate individuals, with adequate third party review and segregation of duties. An annual reconciliation of awarded unrestricted financial aid to approved unrestricted financial aid will be completed. The current available balances for each restricted financial aid account will be loaded into Banner. All restricted financial aid must be approved by the Controller's office prior to being awarded.

Management has established proper reporting relationships and segregation of duties within the Financial Aid Office. Management is in the process of hiring for the open positions in the Financial Aid Office and to provide the new hires with appropriate job descriptions and training. The refunded students were enrolled at the time aid was disbursed and later refunded to them appropriately. Unfortunately, the finalizations (and calculations) of those withdrawals process occurred long after those refunds were issued. The Director/University Bursar now performs an additional quality assurance review in which includes any changes of enrollment, reversal of aid, and additional charges. The "Quality Assurance Review" analysis along with the initial Refund Report is submitted to Treasury Services for a final review.

*Anticipated Completion Date:* This was corrected as of December 31, 2017

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-003**

*Name of Responsible Individual:* Chief Financial Officer (Howard University Hospital)

*Corrective Action:* As noted by the auditors, hospital management implemented revised account reconciliation policies that resulted in the research, resolution and production of support documentation for account balances. Nearly all the post-closing adjustments referred to by the auditors were from transactions and account balances brought forward from previous fiscal years, were resolved by year-end and are not expected to be carried forward as unresolved accounts. Hospital management will continue to enhance its control procedures for month end account reconciliations to include additional monitoring of the accuracy, timeliness and completeness of account reconciliations by the Hospital CFO.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-004**

*Name of Responsible Individual:* Chief Financial Officer, Howard University Hospital

*Corrective Action:* The Hospital has amended its month end close procedures to ensure one-over-over review of all significant adjustments such that personnel independent of the preparer of an adjustment is required to review significant proposed adjustments before the close process is finalized. The additional review will improve opportunities for timely detection of errors.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-005**

*Name of Responsible Individual:* Chief Financial Officer and Treasurer, Controller and Chief Accounting Officer, Executive Director, Office of Procurement & Contracting, Accounts Payable Managers

*Corrective Action:* Howard University has retained SpearMC to provide labor and other resources necessary to implement the PeopleSoft 9.1 Supplier Portal, along with the eSupplier Connection and eSettlements products. The portal will enable Howard University to require electronic invoice submission from vendors to improve the capturing of expenses in a timelier manner. This implementation will allow Howard University to utilize new PeopleSoft functionalities that help improve process efficiencies such as Supplier invoice entry and Supplier self-service. In addition, this implementation should minimize any customizations, which will allow Howard University to control operating cost.

*Anticipated Completion Date:* June 30, 2018

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-006**

*Name of Responsible Individual:* Associate Dean, Administration & Finance for the College of Medicine, Executive IT Advisor

*Corrective Action:* After the completion of the initial comprehensive user access review, the University understands the gap within certain functions performed by overlapping roles. The University is therefore redefining roles with granularity that defines clear segregation of duties that effects internal control on patient revenue. This task is slated to be completed by March 31, 2018. Furthermore, in addition to the bi-annual user access review, a follow up user access review is scheduled to be completed by March 31, 2018 to assess the redefined state and new posture.

*Anticipated Completion Date:* March 31, 2018

**Finding 2017-007**

*Name of Responsible Individual:* Chief Information Officer (Howard University Hospital), Chief Financial Officer (Howard University Hospital)

*Corrective Action:* The revenue cycle systems function, which previously administered user access requests and management for the platforms outlined herein transitioned to the Information Technology Department March 1, 2018. As of March 1, 2018, all system access requests are subject to review and approval by the hospital CIO. Access to these platforms are now enabled (subject to the hospital's role-based requirements) via the active directory.

*Anticipated Completion Date:* March 1, 2018

**Finding 2017-008**

*Name of Responsible Individual:* Chief Financial Officer (Howard University Hospital)

*Corrective Action:* Management will continue to work with its experts in estimating the impact of changes, evaluating correspondence from third party payors and estimating receivables or payables due to/from governmental agencies. To facilitate and support timely financial statement disclosures, management will expand the scope of services provided by one of its consultants for bi-annual cost report modeling to more appropriately estimate receivables and payables due to/from governmental sources. Initial review of cost report modeling, settlement activity (including and hospital's position on receivables/payables) will be completed by June 1, 2018.

*Anticipated Completion Date:* June 1, 2018

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-009**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The University will onboard a permanent Director of Student Financial Aid. The Director of Student Financial Aid will work directly with all colleges and schools to verify applications selected by the CPS of students who will receive or have received subsidized student financial assistance. This includes all students who are eligible for subsidized Title IV aid for which eligibility is determined by the EFC (i.e., the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Perkins Loan, and Direct Subsidized Loan programs).

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-010**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The University acknowledges this finding and continues to onboard additional staff members with experience to address the lack of transfer monitoring and administrative oversight. The additional staff will also ensure that the NSLDS Alert List of all transfer students is updated timely. The additional staff should be hired by July 1, 2018.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-011**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The University is currently in the process of hiring additional staff to address the lack of administrative oversight regarding untimely reporting of Federal Direct Loan payments in COD. The additional staff will reconcile student accounts to the US Department of Education COD system monthly. Also, the University will implement weekly in house reviews and reconciliations of Federal Direct Loan payment updates from both student and financial systems - Banner and PeopleSoft.

*Anticipated Completion Date:* June 30, 2018



Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-012**

*Name of Responsible Individual:* Director of Student Financial Aid and Director of Enrollment Management

*Corrective Action:* The University's students' total withdrawals were accurately recorded and reported to the third-party servicer (the National Student Clearinghouse) timely, but the changes were not uploaded by the third-party servicer until the next scheduled update. The Director of Student Financial Aid will be responsible for ensuring that the third-party services updates are timely and accurate.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-013**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The University agrees and is in process of onboarding experienced staff to calculate Title IV refunds to students timely and accurate. Additionally, training is scheduled to ensure that the staff fully understands the Title IV refund process and to ensure that multiple staff are capable of performing this task.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-014**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The Director of Student Financial Aid will work in conjunction with the Director of Financial Grants and Sponsored Programs to ensure that reconciliations of expenditures and cash are completed monthly. The FISCAP reconciliation should be completed also in conjunction with the Post Award Administration on an annual basis. Any adjustments to student payments and award adjustments will be communicated with the Post Award Administration to ensure that reporting and draws are appropriately stated.

*Anticipated Completion Date:* June 30, 2018

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-015**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The Director of Student Financial Aid will work in conjunction with the Director of Payroll to ensure that students working on the Federal Work Study Program will be paid at least monthly as mandated by federal regulations. The Director of Financial Aid will be responsible for notifying in writing to the students the amount of funds the students are authorized to earn, as well as how and when the FWS compensation will be paid.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-016**

*Name of Responsible Individual:* The Director of Student Financial Aid

*Corrective Action:* The Director of Student Financial Aid will hire additional staff to provide administrative oversight to monitor the disbursements of subsidized Federal Direct Student Loans in excess of the allowable annual limits. The staff member will be responsible for ensuring that eligibility criteria are met for students receiving Federal Direct Loans.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-017**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The Director of Student Financial Aid will develop a policy and procedures to ensure FSEOG awards are disbursed to students with the lowest expected family contributions and to students who will also receive Federal Pell Grant awards in the appropriate year. The Director of Student Financial Aid will also onboard staff to ensure that FSEOG awards are granted to eligible students.

*Anticipated Completion Date:* June 30, 2018

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-018**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The Director of Student Financial Aid will be responsible for refunding students within 14 days of the creation of students' credit balances in compliance with Title IV regulations. The Director will also work closely with the Bursar's Office to ensure that checks not cashed or rejected ACHs are returned to the U S Department of Education timely.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-019**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* : The Director of Student Financial Aid will work in conjunction with the Director of Financial Grants and Sponsored Programs to review and reconcile Title IV awards, expenditures and draws on an annual basis to ensure that the FISAP will be submitted timely and accurately. Monthly reconciliations will be performed and provided to Senior Management for approval.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-020**

*Name of Responsible Individual:* Director of Student Financial Aid

*Corrective Action:* The University will on-board a new Director of Student Financial Aid who will be responsible for the retention of documentation detailing the seven percent (7%) FWS earmarking federal requirement. The Director of Student Financial Aid will ensure that 7% of the initial and supplemental FWS allocations to compensate students will include community service activities.

*Anticipated Completion Date:* June 30, 2018 certifications.

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-021**

*Name of Responsible Individual:* Senior Director of Financial Grants and Sponsored Programs

*Corrective Action:* Howard University's ePAR Helpdesk Team was established to submit, edit and timely process ePARs to facilitate the submission of effort certifications timely. The ePAR Helpdesk will assist Principal Investigators in compiling ePARs as a part of the account and budget setup process.

An effort distribution detail will be included in the effort certification reports to assist employees in reviewing total effort bi-annually. Escalation procedures have been put in place to identify employees who do not certify timely and the Provost and Chief Financial Officer are notified of delinquent certifications to assist in timely completion.

*Anticipated Completion Date:* June 30, 2018 certifications.

**Finding 2017-022**

*Name of Responsible Individual:* Executive Director of the Office of Procurement and Contracting

*Corrective Action:* Prior to adopting the Omni Super Circular, all contracts were not required to be reviewed and approved by the Procurement Office for approval of sole source vendors. Procurement training in accordance to the Omni Super Circular is scheduled for the Procurement Department and Research Administrative Services before June 30, 2018. The updated procurement procedure will state that all contractual requests must be negotiated, processed and approved by the Procurement Contract Officer. In addition, sole sources will be reviewed, researched and negotiated directly by the Procurement Contract Officer. Contractual agreement exceptions negotiated outside of the Procurement Department will be cited and addressed by Senior Management.

*Anticipated Completion Date:* June 30, 2018

**Finding 2017-023**

*Name of Responsible Individual:* Senior Director of Financial Grants and Sponsored Programs and Executive Director of Research Administrative Services

*Corrective Action:* Howard University has employed a Vice President for Research who will be on boarded in the Spring of 2018. In addition, a new Manager of Billing has been hired to monitor timely billing, reporting and invoicing. An Award Profile Team has been established and is responsible for monitoring milestones and deliverables focusing on timeliness of reporting and billing. Also, the Award Profile Team will validate award and budget setups.

*Anticipated Completion Date:* June 30, 2018

Management's Corrective Action Plan  
Year Ended June 30, 2017

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**Finding 2017-024**

*Name of Responsible Individual:* Senior Director of Financial Grants and Sponsored Programs and Executive Director of Research Administrative Services

*Corrective Action:* Howard University has employed a Vice President for Research who will be on boarded in the spring of 2018. The Vice President for Research will ensure that publications site the appropriate funding agencies, awards and include the appropriate disclosure statements in accordance to the Omni Super Circulars and funding agencies' specifications. A management report will be created to notify the Provost and Chief Financial Officer of all publications filed with the respective agencies.

*Anticipated Completion Date:* June 30, 2018